

M/049/009  
**FILED**

**JUL 27 2005**

**SECRETARY BOARD OF  
OIL, GAS & MINING**

BEFORE THE DIVISION OF OIL, GAS AND MINING  
DEPARTMENT OF NATURAL RESOURCES  
IN AND FOR THE STATE OF UTAH

ooOoo

IN THE MATTER OF THE PETITION :  
BY THE DIVISION OF OIL, GAS AND :  
MINING FOR AN ORDER DIRECTING :  
THE ATTORNEY GENERAL TO RECOVER :  
CIVIL PENALTIES, WITHDRAWING :  
THE NOTICES OF INTENTION, AND :  
REQUIRING IMMEDIATE RECLAMATION :  
OR FORFEITING SURETIES FOR APEX/ :  
BURGIN MINE (M/049/009), TRIXIE :  
SHAFT MINE AREA (M/049/024), AND :  
THE TRIXIE WEST EXPLORATION AREA :  
(E/049/046); THE CHIEF CONSOLIDATED :  
MINING CO. d/b/a CHIEF GOLD MINE, :  
SOUTH STANDARD MINING COMPANY, :  
and TINTIC UTAH METALS, LLC.; IN :  
SECTIONS 11, 15, 21, 22, and 28, T10S, :  
R2W, SLB&M; UTAH COUNTY, UTAH :

DIVISION'S EXHIBITS  
IN SUPPORT OF  
NOTICE OF AGENCY ACTION

DOCKET NO. 2005-013

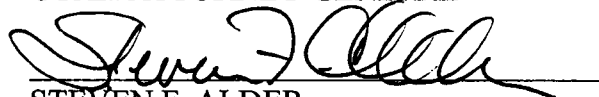
Cause Nos. M/049/009  
M/049/024  
E/049/046

OoOoo

Division of Oil, Gas, and Mining, pursuant to the provisions of Utah Administrative  
Code R641-105-500, files the attached documents as Exhibits to be used as evidence in the  
above entitled matter.

Dated this 27<sup>th</sup> day of July, 2005.

MARK L. SHURTLEFF  
UTAH ATTORNEY GENERAL



STEVEN F. ALDER  
Assistant Attorney General  
Attorneys for Division of Oil, Gas & Mining  
1594 West North Temple, #300  
SALT LAKE CITY UT 84116  
Telephone: (801) 538-7227

CERTIFICATE OF MAILING

I hereby certify that I caused a true and correct copy of the attached Division's Exhibits in Support of the Division's Request for Agency Action to be delivered or mailed by first class mail, postage prepaid, this 27 day of July, 2005 addressed to:

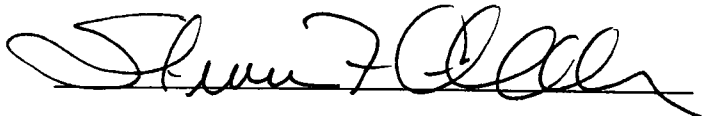
Richard R. Schreiber, President and CEO  
Chief Consolidated Mining Company  
1629 Locust Street  
Philadelphia, PA 19103

Zions Bank  
Payson Branch  
80 East 100 North  
Payson, Utah 84651

Wells Fargo Bank  
170 South Main Street  
Salt Lake City, Utah 84111

Carol Rushin  
Assistant Regional Administrator, Region 8  
Office of Enforcement, Compliance, and Environmental Justice  
U.S. Environmental Protection Agency  
999 18<sup>th</sup> Street, suite 300  
Denver CO 80202 -2466

Michael Johnson, Counsel for the Board (via hand delivery)  
Assistant Utah Attorney General  
1596 West North Temple #300  
Salt Lake City, Utah





## Exhibits

### M/049/009 (BURGIN AREA)

- B-1 Executive Summary of Notice of Intention - 1982
- B-2 Executive Summary Amended NOI - 1984
- B-3 Chief Consolidated letter of Owner's Conditions - 1984
- B-4 March 1993 Correspondence Regarding Ownership Changes
- B-5 Sunshine Mining Permit Chronology
- B-6 Permit Transfer Application 1997
- B-7 Correspondence Regarding Bond Reduction 1998 to 2001
  - April 17, 1998 letter from EMS
  - March 19, 2001 Memorandum Approving Surety
  - March 1, 2001 Certificate of Deposit Surety Agreement
- B-8 Utah DEQ Letter regarding Injection Well Application
- B-9 Dry Stack Tailings Proposal - 1999
- B-10 2001 Correspondence regarding Permit Modification for Dry Stack Proposal
- B-11 February 15, 2002 Notice of Non-Compliance and Directive to Cease Operations
- B-12 Production Reports 1997 through 2002



B-13 2005 –2006 Permit fee N

Notices and Correspondence Regarding Fines and Penalties

See Exhibits E-8

*in file  
6/24/04*



B-1      Executive Summary of Notice of Intention –  
1982

EXECUTIVE SUMMARY

\* \* \* \* \*

Sunshine Mining Company  
ACT/049/009, Utah County, Utah  
Sec. 22, T. 10 S., R. 2 W., SLBM

MAY 17, 1982

### Commodity and Ownership

Sunshine Mining Company proposes to develop and mine the precious and base metals, silver, lead and zinc. The company acquired options on the property in June of 1980 from Chief Consolidated Mining Company by way of a mining lease. It is located on patented claims and was originally part of the East Tintic District Unit Lease held by Kennecott Copper Corporation. However, Kennecott terminated their mining lease, but retained all surface rights and Chief Consolidated Mining Company picked up the mineral leases. Sunshine has rights to the surface area necessary for their proposed mining operation. This permit concerns 2.80 acres, but options are available for expansion to 35 acres should this be necessary.

### Location:

The mine is located at an elevation of 5,872 feet in the East Tintic Mountains directly southwest of Utah Lake on Section 22, Township 10 South, Range 2 West. Access is provided by the use of Silver Pass Road off of Highway 6 to an existing private service road. A gate has been installed to control access to the permit area.

### Geology:

The eastern flank of the East Tintic Mountains in which the mine is situated is composed of mostly Paleozoic sediments. Thousands of feet of deposition are represented by dolomites, limestones, shales and the Tintic Quartzite. Numerous tuffs, volcanic flows, basaltic dikes, sills and intrusives mark the most recent 34 million years of activity. This was a much more geologically dramatic time and these events correlate with the emplacement of mountain ranges such as the Henry's, LaSal's and the Abajo's.

### Hydrology:

Surface drainage in the area is to the south by overland flow. Any runoff from the site is intercepted and contained by an old railroad right-of-way which crosses immediately to the south of the permit area. This riprapped and stable impoundment is sufficient to handle any forecast storm event.

A perched aquifer (1-3 gpm) was encountered during exploratory drilling at a 300 foot depth. This could satisfy Sunshine's development phase water requirements and has been approved by the Division of Water Rights. The possibility of encountering a hot, saline water at a depth of between 1,300 and 1,400 feet has been acknowledged. Any water encountered during mine development will be pumped into existing underground workings and no mine water will be discharged to the surface.

Currently, culinary water is hauled and stored in a 10,000 gallon tank located on the hill above the shaft.

### Soils and Climatology:

Soils in the vicinity of the mine occur between 5,500 and 6,000 feet in elevation. They were formed from lake terraces, alluvial fans and valley plains. These soils tend to be well drained with slow to moderate permeability, texture ranges from sandy clay to sandy clay loam. Sediment production is low to moderate, while salts are low and do not present a problem. Fertility is generally low with a neutral to alkaline pH. Soils are used for range, wildlife and for both dry and irrigated cropland. Average annual precipitation ranges from 8-14 inches while mean annual soil temperature is between 47°F and 59°F.

### Ecology:

The primary vegetation type of the permit area is pinyon-juniper woodland, with Utah juniper (*Juniperus osteosperma*) and Big sage (*Artemesia tridentata*) predominantly. Understory vegetation provides ground cover which varies from approximately 5 percent to 20 percent. The permit area has been zoned for mining and grazing activities. The proposed reclamation plan was designed to maintain or improve the grazing potential of the permit area, where possible.

### Existing Structures and Facilities:

Access to the area is provided by existing county and private roads. A new 800 foot road to the water tank and proposed substation has already been installed. An 8 by 32 foot mobile office trailer has been moved to the site and will remain through this stage of development. The dry building contains a change room, showers and toilet facilities. It is 20 by 50 feet and has already been hooked up along with the mobile trailer to a State Health approved waste-water disposal system on the existing rock pile. A new 60 by 40 foot metal hoist building has also been constructed on site near the 65 foot tall head frame, which is in place at this time. The facilities have been sized to handle a work force of 40 people which will be drawn from and housed in the surrounding towns. The site is developed on an existing waste rock pile that was produced between the 1920's and 1960's.

### Mining and Reclamation Plan:

#### During Operations:

1. Topsoil has been stockpiled from newly disturbed areas and reseeded to prevent erosion.
2. The existing 1,100 foot deep shaft will be rehabilitated, enlarged and deepened to accommodate the new plans. Initial drift development should be completed by 1984 and will target the main Burgin ore body.
3. The existing waste rock dump will be enlarged by approximately .42 acres and stabilized while additions are made.
4. An existing high bank riprapped railroad grade will retain any surface runoff.



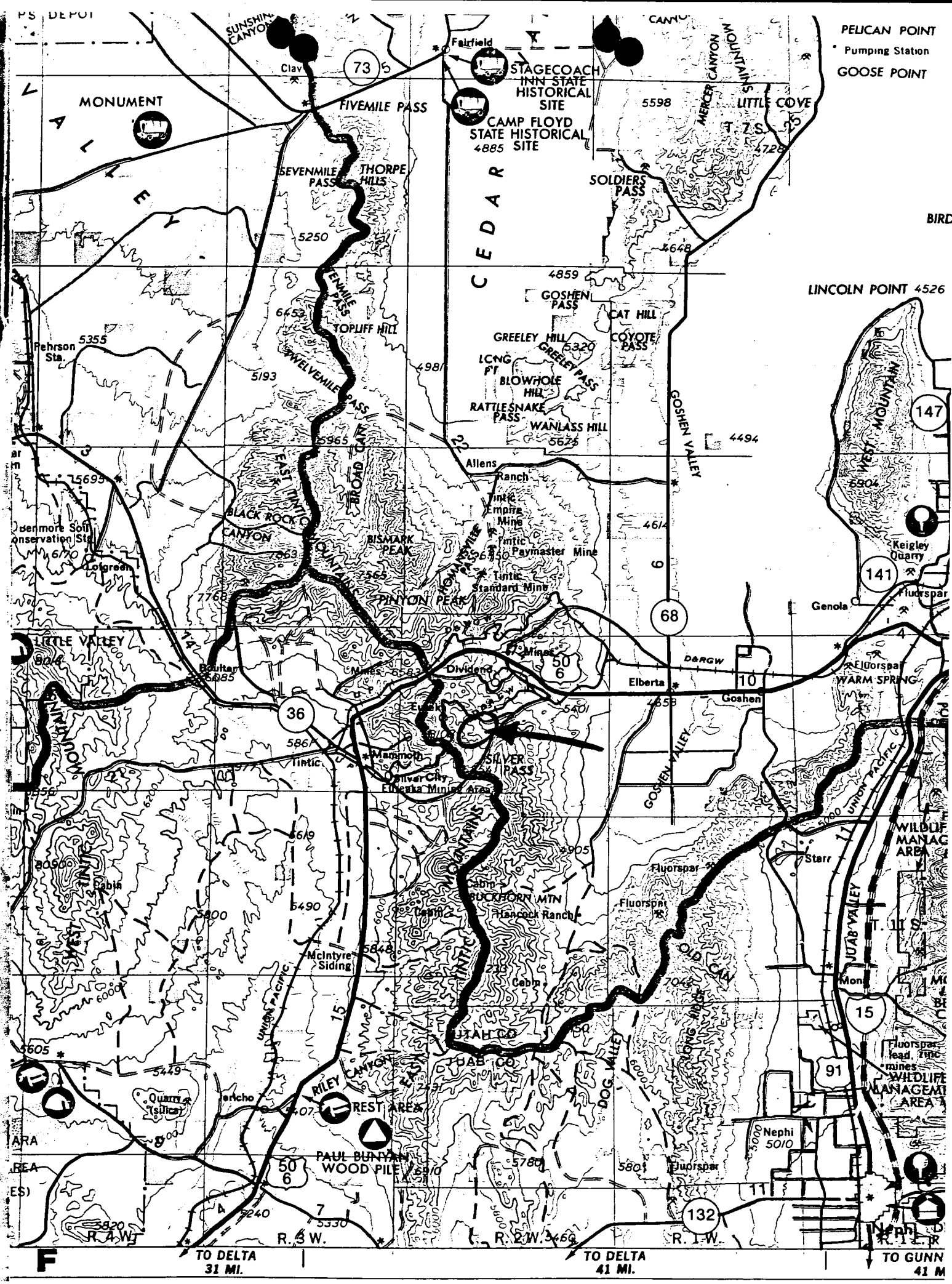
5. Any water encountered in the mine will be retained in old workings.
6. Access on the existing county and private roads will be maintained.
7. The site facilities for the operation include; a mobile office trailer, dry building/bathhouse, hoist building, parking area, water tank and powerline substation.
8. Soil amendment and revegetation test plots will be maintained throughout the life of project to determine the feasibility of postmining reclamation concepts.

After Operations:

1. The owner of the Burgin Mine property has demanded that upon termination of the project the access roads and working surfaces must be left open and accessible; also, that the shaft not become permanently closed.
2. All buidlings and other surface facilities not pertaining to #1 above will be removed upon termination of the operation. The water tank and substation pads will be regraded and revegetated according to an approved plan. All remaining debris will be removed from the area.
3. A steel cover will be secured over the entrance to the shaft and a six foot high chain link fence will be erected surrounding the shaft area.
4. Stored topsoil will be reapplied to the areas it was removed from.
5. The waste rock working surface will be graded to a level configuration and the slopes will be rounded of to minimize erosion. Additional revegetation will be performed in accorance with results of the test plot studies.
6. Final abandonment approval will not be given until after a site inspection has adequately satisfied the Division.

Requested Variance to Rule M-10(12)

1. Rule M-10(12) which requires revegetation of disturbed areas has been given special consideration. Because the operational site is located on an existing waste rock site, special efforts are being made to test various treatments, i.e., soil fertilizers and conditioners and seed types in a variety of arrangements after consultation with Division staff members. If after three years of testing it is found unfeasible to establish vegetation on this previously disturbed area, then the Division will grant a variance to this portion of the rule pertaining to the waste rock pile.



PELICAN POINT  
Pumping Station  
GOOSE POINT

BIRC

LINCOLN POINT 4526

147

141

10

15

91

132

TO DELTA  
31 MI.

TO DELTA  
41 MI.

TO GUNN  
41 M



# DIVISION OF OIL, GAS, AND MINING

## BOND ESTIMATE

**OPERATOR:** Sunshine Mining Company  
**MINE NAME:** Burgin Project  
**LOCATION:** East Tintic Mining District, Sec. 22, T. 10 S., R. 2 West  
**COUNTY:** Utah County  
**DATE:** May 17, 1982

|    | Operation   | Amount                       | Rate   | Cost     |
|----|---|------------------------------|--|----------|
| A. | <b>CLEAN-UP</b>   |                              |  |          |
|    | 1. Removal of structures & equipment.                                       | \$24,660                     | Lump Sum   | \$24,660 |
|    | 2. Removal of trash & debris.   | Incl. above                  |  |          |
|    | 3. Leveling of ancillary facilities pads and access roads.                  | Roads and pads will be left  |  |          |
| B. | <b>REGRADEING &amp; RECONTOURING</b>  |                              |  |          |
|    | 1. Earthwork including haulage and grading of spoils, waste and overburden. | \$4,080                      | Dozer X 2 days<br>\$90/hour<br>3 man crews<br>X 2 days | 4,080    |
|    | 2. Recontouring of highwalls and excavations.                               |                              | \$25/hour  |          |
|    | 3. Spreading of soil or surficial materials.                                | Incl. above                  |  |          |
| C. | <b>STABILIZATION</b>  |                              |  |          |
|    | 1. Soil preparation, scarification, fertilization, etc.                     | \$1,588                      | Company estimate<br>(see plan)                         | 1,588    |
|    | 2. Seeding or planting.   |                              |  |          |
|    | 3. Construction of terraces, waterbars, etc.                                | N/A Test Plots provided      |  |          |
| D. | <b>LABOR</b>  |                              |  |          |
|    | 1. Supervision.   | Included above               |  |          |
|    | 2. Labor exclusive of bulldozer time.                                       |                              |  |          |
| E. | <b>SAFETY</b>   |                              |  |          |
|    | 1. Erection of fences, portal coverings, etc.                               | \$240                        | Lump Sum for fencing                                   | 240      |
|    | 2. Removal or neutralization of explosive or hazardous materials.           | Shaft cover already in place |  |          |
| F. | <b>MONITORING</b>   |                              |  |          |
|    | 1. Continuing or periodic monitoring, sampling & testing deemed necessary.  | 3 annual visits              | \$100/year   | 300      |
| G. | <b>OTHER</b>  |                              |  |          |
|    | Reseeding, if necessary   | \$1,588                      |  | 1,588    |
|    | 13% inflation factor for 6 year life of operation                           |                              | SUBTOTAL   | \$32,456 |
|    |   |                              |  | \$67,572 |

B-2      Executive Summary Amended NOI – 1984

## EXECUTIVE SUMMARY

Mine Name: Burgin Project I. D. No. ACT/049/009  
Operator: Sunshine Mining Company County: Utah  
P. O. Box 250 New/Existing: Both  
Eureka, Utah 84628 Mineral Ownership: Private  
Telephone: (801) 433-6854 Surface Ownership: Private  
Contact Person: Leon J. Munyan Lease No. (s): N/A  
Life of Mine: Unknown Permit Term: 10 Years  
Legal Description: Sections 13, 14, 15, 18, 22 and 28, Township 10 South, Range 2 West  
Mineral(s) to be Mined: Silver, Lead, Zinc and Gold  
Mining Methods: Underground Development  
Acres to be Disturbed: 110  
Present Land Use: Mining  
Postmining Land Use: Mining, grazing  
Variances from Reclamation Standards (Rule M-10) Granted: None

### Soils and Geology:

Soil Description: Sandy gravelly loam soils derived from volcanic parent material or a mixture of sedimentary rocks; soils are generally well drained and moderately permeable pH: 7.5-8.4  
Special Handling Problems: None  
Geology Description: Paleozoic rocks; formations are Tintic quartzite, Ophir formation and Teutonic limestone.

### Hydrology:

Ground Water Description: Heavy inflows of hot salty groundwater have made mining the ore body difficult in the past; mine dewatering of approximately 9,000 GPM necessary  
Surface Water Description: Intermittant drainage system through the permit area numerous springs indicate two aquifers, one hot and salty, the other cool and fresh  
Water Monitoring Plan: Two wells downgradient of tailings pond; monitoring of mine water discharge as per EPA requirements

### Ecology:

Vegetation Type(s); Dominant Species: Pinyon-Juniper, Sagebrush-Grass, Greasewood-grass; pinyon pine, Utah juniper, Wyoming big sage, Douglas rabbitbrush, greasewood, galleta grass, sand dropseed  
Percent Surrounding Vegetative Cover: 5-60%  
Wildlife Concerns: None  
Surface Facilities: Mill site and associated facilities, three mine shafts, tailings pond, and mine water settling ponds  
Mining and Reclamation Plan Summary: Attached

### Surety:

Amount: \$737,000  
Form: Surety Bond  
Renewable Term: 10 years

#### During Operations:

1. The tentative approval covers operations at the Trixie Mine Shaft, Hunter Shaft (to be constructed), and the Burgin Mill site facilities including a tailings pond to be constructed and a series of settling ponds for mine water discharge.
2. Most of the area is previously disturbed, but on areas of proposed new disturbance topsoil will be salvaged and saved to use for reclamation. Erosion control measures will be implemented.
3. A 35' high tailings dam will contain a pond which will eventually cover 25 acres. The reservoir will be clay-lined to prevent percolation and equipped with monitoring wells to sample groundwater. A drain system with pump will capture fugitive leachates and return them to the pond.
4. A mine water discharge of 9,000 gallons per minute will travel through an intermittent drainage channel 3.5 miles to the six settling ponds. Water will eventually percolate into deep alluvial valley fills. Sampling has shown the quality of this water to be non-deleterious.
5. An NPDES discharge permit has been applied for.
6. A surety bond sufficient to cover the State's cost to reclaim the area will be posted prior to final approval.

#### Following operations:

1. All buildings, facilities and utilities will be removed. Shafts will be closed and fenced.
2. Topsoil will be spread, or compacted soil will be ripped in areas where no topsoil was saved. All reclaimed areas will be seeded with a mix of species adapted to the area. Test plots are being conducted to determine the best seed mix to use to reclaim waste rock dumps.
3. Excess dam material will be pulled onto tailings, the area topsoiled and reseeded. Dikes of the settling ponds will be leveled and the area reseeded.
4. Revegetation success will be monitored for three years. Water monitoring wells will continue to be sampled for three years, then closed with cement plugs.
5. The County road and Denver and Rio Grande Railroad line will remain in place.



The Division of Oil, Gas and Mining plans to approve the permit with the following stipulations:

1. Bonding Requirements; Rule M-5-JRH

The applicant shall resubmit their bond cost estimate schedule with a complete account of all areas within the Mine Permit Area, including the total permit area, the area currently disturbed, the proposed areas to be disturbed, and the acreage and areas to be reclaimed. Cost estimates for reclamation shall also be revised accordingly. The applicant must also indicate if the Apex bond currently held by the Division is to be revised and included in the the bond estimate, or held as a separate area. The applicant shall resubmit their bond estimate within 15 days after publishment of this notice.

2. Revegetation; Rule M-10(12)-LK

The seed mix for final reclamation of the waste dumps will be revised to a more diverse mixture of grasses, forbs and shrubs. Determination of the seed mix will be made after analysis of the Apex test plots. Seed mix revision will be submitted to the Division for approval prior to December 31, 1985.

3. Rule M-10(14)-1-TLP

Immediately after redistribution of soil materials which comprise the dikes of the current settling ponds all such soil material shall be sampled. The objectives of sampling shall be to: 1) Detect trouble spots (high salt and/or sodium; 2) to serve as a basis for final fertilizer recommendations as well as for other amendments such as organic materials. A sampling grid capable of an intensity achieving the above objectives shall be proposed for approval within ninety (90) days of permit approval.

4. Rule M-10(14)-2-TLP

In the Hunter Shaft and tailings pond area to be reclaimed a similiar (it may be of lower intensity) sampling grid shall be employed to serve as a basis for fertilizer recommendations.

5. Rule M-10(14)-3-TLP

The incorporation of both fertilizer and organic matter where applicable shall be to a depth of six (6) inches.

6. Rule M-10(14)-4-TLP

Sunshine Mining Company shall separately remove and stockpile subsoil (C horizon) material at the proposed tailings dam location. The removal of such soil shall be performed under the direct supervision of a qualified individual.

7. Rule M-10(12)-1-TLP

If favorable revegetation results are not evident at the Burgin Mill complex by July, 1987 the operator shall consult with the Division for the purpose of devising a test plot program aimed at providing for successful reclamation. Such a program shall be implemented by Fall of 1987.

0096R

B-3      Chief Consolidated letter of Owner's  
Conditions – 1984

RECEIVED

SEP 14 1984

DIVISION OF OIL  
GAS & MINING

# Chief Consolidated Mining Co.

747 THIRD AVENUE  
NEW YORK, N.Y. 10017

LEONARD WEITZ  
PRESIDENT

*File* ACT/049/809  
(212) 688-8130

JIM

SEP 17 1984

August 17, 1984

State of Utah  
Oil, Gas & Mining Division  
1588 West North Temple  
Salt Lake City, Utah

Re: Sunshine Mining Company  
Eureka Division Project  
Eureka, Utah

Gentlemen:

As owners of 4733 acres, including the Burgin Property, the Homansville Property and property included in the Tintic Unit, leased to Sunshine Mining Company, we have notified Sunshine that we require the following terms and conditions in the event Sunshine should abandon their leases.

1. Under no circumstances will Sunshine allow any shafts on the properties to become permanently closed.

2. It is mandatory that the roads leading to all sites be left open.

3. It is required that working surface areas be left undisturbed in an open and accessible condition.

The above requirements are necessary in order for Chief or a new lessee to continue operations initiated by Sunshine should Sunshine determine it will not proceed with the project and the properties revert to Chief.

Very truly yours,

  
Leonard Weitz

LW:rw

cc: Sunshine Mining Company



B-4      March 1993 Correspondence Regarding  
Ownership Changes

SUNSHINE  
MINING  
COMPANY

815 Park Boulevard  
Suite 100  
Boise, Idaho 83712  
(208) 345-0660  
FAX (208) 342-0004



RECEIVED

MAR 25 1995

DIVISION OF  
OIL GAS & MINING

March 23, 1993

Mr. Anthony Gallegos  
Utah Division of Oil, Gas and Mining  
3 Triad Center, Suite 350  
Salt Lake City, UT 84180-1203

Re: File No. ACT/049/009

Dear Mr. Gallegos,

This is written in response to your letter of March 8 in which you requested a formal notification of the recent changes which we have implemented at Eureka, Utah.

In November of 1992, Sunshine Mining Company and its wholly-owned subsidiaries, Sunshine Precious Metals, Inc and HMC Mining Inc., entered into an agreement with the underlying property owners, Chief Consolidated Mining Company and South Standard Mining Company, whereby Sunshine relinquished all of its interests in the East Tintic Mining District effective January 1, 1993. Essentially, this Agreement allowed South Standard to assume operational control of the Trixie and surrounding claims, while Chief took possession of the remaining properties, including the Zuma Pit, Apex Shaft, Burgin Mine and Mill, Hunter Shaft Area (proposed), Tailings Ponds, etc. The Agreement allows Chief and South Standard to assume their respective portions of Sunshine's liabilities and responsibilities under the current Plan, subject to the assignment of the Plan and the substitution of a new bond fully approved by Utah Division of Oil, Gas and Mining. It was also agreed that, until Sunshine's bond is released by substitution of new approved bonds, Sunshine's liabilities and responsibilities under the current permit, plan and bond shall continue in full force and effect. However, no mining or development is to take place on the properties until replacement bonds have been posted. None of the above provisions were the result of any court decision as your letter seems to suggest, but rather was simply an agreement between parties.

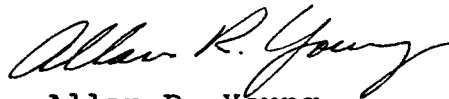
Mr. Anthony Gallegos  
March 23, 1993  
Page 2

With respect to your receipt of a Notice of Intention to Amend Mining Operation for the Trixie Shaft, Sunshine is fully aware that your office cannot release this portion of the current bond until a replacement bond has been approved and submitted. This is why your prompt review of the amended NOI was requested in Mr. Henry's letter of February 18 which accompanied the submittal. With respect to the remaining properties now under the control of Chief, we anticipate that a similar submittal may be forthcoming as well. Because the Zuma Pit would be included in such a submittal and because there will be no mining activity here until Sunshine's bond on the Chief properties has been released, it is recommended that no changes to the surety bond be made at this time.

Lastly, your new contact person for all operations under File No. ACT/049/009 will be the undersigned at the address and phone shown on the letterhead. Please contact me if you have any questions on the amended NOI for the Trixie Shaft. We look forward to your response on this matter.

Thank you for your cooperation.

Yours truly,



Allan R. Young  
Operations Manager

ARY:rh

c.c. John S. Simko  
Thomas Henry  
Leonard Weitz  
Oliver Gushee



B-5      Sunshine Mining Permit Chronology

## PERMIT CHRONOLOGY

### Sunshine Mining Company (SMC)

M/049/009

"Christmas Eve"

(December 24, 1991)

(last revised December 1, 1997)

|                   |  |
|-------------------|--|
| August 10, 1981   | SMC files NOI for Burgin Project with the Division dated August 6, 1981. Project is for exploratory development of underground access to ore body.   |
| October 6, 1981   | Initial review of SMC's mining plan with deficiencies noted.   |
| October 13, 1981  | Letter from Environmental Management Services Company. Enclosed is revised revegetation plan to replace original.  |
| October 20, 1981  | Copy of letter from Utah Power to SMC regarding "raptor protection" in construction of Apex #2 mining operations.  |
| October 21, 1981  | Suggested seed mix sent to SMC.  |
| November 27, 1981 | Memo to file documenting meeting held November 13, 1981 to discuss problem areas identified in the review sent 10/6/81.  |
| December 2, 1981  | Letter sent to SMC with proposed test plot scheme.   |
| January 18, 1982  | Letter sent to Utah State University Extension enclosing information to aid in solving the acid problem associated with the waste rock storage pile.   |
| February 4, 1982  | SMC submits a revised NOI for the Burgin Project (dated Jan. 1982). This supersedes the August, 1981 submission. Project calls for deepening Apex Standard No. 2 shaft and developing a new drift for access to the Burgin ore body. Exploration at this site began in 1980 under a separate notice with the Division. |
| February 5, 1982  | Letter sent to SMC informing them of the progress made in addressing the lime problem (reply expected by February 7th) and clarifying statement in November 27, 1981 memo (variance request response clarified).   |
| April 13, 1982    | Memo to file regarding site visit of March 31, 1982. The purpose of the visit was to assist in establishing test plots, pursuant to variance request.  |
| April 16, 1982    | Review of Revised NOI submitted in January 1982 sent to SMC. A few areas remain to be addressed.   |

|                    |  |
|--------------------|--|
| April 26, 1982     | Letter from SMC with copy of memo regarding test plots attached. Test plots had been staked out and treated with lime. All 12 test plots were seeded on April 6, 1982.   |
| May 11, 1982       | Letter from SMC addressing the deficiencies to DOGM's review of NOI.   |
| May 17, 1982       | Division seeks Board concurrence to issue tentative approval to this mine operation, after nine months of review. Executive Summary, location map and bond estimate attached.  |
| July 19, 1982      | Letter to SMC. Thirty-day <u>public</u> notice period has expired as of July 12, 1982. No adverse comments received. Bond form (MR-5) sent. Once received the Division will issue final approval letter.   |
| September 24, 1982 | Memo to file, regarding site visit of September 2, 1982, wherein DOGM inspected test plots.  |
| September 30, 1982 | Received SMC's surety bond for \$67,572 from Industrial Indemnity Company.   |
| October 4, 1982    | Final approval of Burgin project. Surety estimate was for 2.80 acres at \$67,572 in 1988 dollars. The project life is estimated at 3 years plus 3 years until reclamation release.   |
| February 6, 1984   | Division received SMC's amended NOI. Amendment first included the Trixie mine shaft (Feb. 1984) and later included the Hunter shaft (to be constructed), Burgin mill site facilities, tailings pond (to be constructed) and settling ponds for mine water (Oct. 1984).                                     |
| August 1, 1983     | Memo to file regarding July 29, 1983 site visit to test plots. Vegetation cover transect was done in each of 12 plots. Report of results will be written later.  |
| September 15, 1983 | Letter from HMC Mining Inc informing us that SMC has reactivated Apex #2 Shaft. Work on site began September 6, 1983 and shaft sinking operations should commence in early October.  |
| October 3, 1983    | Memo to file regarding results of July 29, 1983 test plots site visit. Reclamation will be possible at this minesite. The application of mulch should be discontinued except when combined with lime and fertilizer in the acid waste rock condition. Fertilization appeared beneficial in all conditions. |
| February 6, 1984   | Amendment received to include the Trixie mine in the Burgin permit.  |

SMC acquired HMC Mining Company in May, 1983. HMC Mining had previously acquired the assets of Kennecott in the Tintic Mining District. As a result of these transactions, SMC is now the operator of the Trixie mine. Reclamation costs attached; bond will need to be increased by \$33,700.

|                    |  |
|--------------------|--|
| February 9, 1984   | Request for Annual Operations and Progress Report to be submitted by March 15, 1984.   |
| March 14, 1984     | Annual Operations and Progress Report received.  |
| April 16, 1984     | Review of Amended NOI sent to SMC. Additional documentation regarding SMC's current use of HMC's and KCC's facilities need be to submitted. The disclaimer provided in the Burgin mining and reclamation plan, section 30, will no longer apply unless it is further defined in accordance with recent developments. This may entail amending the mine plans to include all facilities being used in any capacity for SMC's mining operations. It is recommended a meeting be held to resolve misunderstandings concerning SMC's use of pre-existing facilities. |
| No date:           | Pay Dirt Magazine article. Exxon joining activity in Utah's historic Tintic District.  |
| May 21, 1984       | Received Notice of Cancellation from Industrial Indemnity Company for SMC's \$67,592 bond. Cancellation to be effective 90 days from this notice.  |
| June 1, 1984       | Letter from Arthur L. Owen Company. They are the current insurance agency for SMC - They need to replace SMC's current bond by July 29, 1984. Requests bond form.  |
| June 4, 1984       | Bond form sent to Arthur L. Owen Company.  |
| No date            | Pay Dirt Magazine article. Sunshine continuing development work at Tintic properties.  |
| July 30, 1984      | Received SMC's bond in the amount of \$67,472 from Travelers Indemnity Company.  |
| August 3, 1984     | Reclamation Bond returned to Arthur L. Owen Company in order to affix corporate seal on page two.  |
| September 14, 1984 | Received letter from Chief Consolidated Mining Company. As owners of the property (including the Tintic Unit) leased to SMC,   |

terms and conditions in the event SMC should abandon their leases outlined.

September 18, 1984

Response to DOGM's 4/16/84 letter regarding SMC's amended NOI. A meeting was held in June 1984 to discuss deficiencies. The Division agreed that if SMC continued to make good faith efforts to obtain required state approval, the Trixie Mine would be allowed to operate in the interim. Additional information attached.

October 9, 1984

Received SMC's completed bond.

October 26, 1984

Letter from Joseph M. Jarvis, Biologist, thanking DOGM for attending field tour of SMC's operations last week. Based on discussions from the tour several changes to the application and additional data are enclosed.

December 14, 1984

Letter from Joseph M. Jarvis enclosing additional information.

December 14, 1984

Division issued tentative approval to SMC amendment. Amended surety estimate is \$737,000 in 1995 dollars.

December 20, 1984

Letter to The Provo Daily Herald with "Order to Show Cause" of Notice of Tentative Approval attached. Notice to be published once only by December 25, 1984.

December 24, 1984

Letter from SMC enclosing updated average summary of all permit area acreages and revision of the reclamation cost tables. Reclamation Estimate for Trixie, Hunter, Burgin, Tailings, Settling - \$284,280

December 28, 1984

Letter to SMC. Tentative Approval Decision was made on December 14, 1984. The 30-day public comments period will expire on January 25th. If no adverse comments have been received Final Permit Approval may be given. The seven stipulations contained in the Order to Show Cause will become stipulations to the final permit, unless they are adequately addressed in the interim period. A new cost estimate has been prepared based upon SMC's 12/21/84 information. This estimate does not include a bond amount for sealing the Trixie Shaft. Either SMC or the land owner must bond for the shaft before Final Approval can be granted. The existing bond for the Apex Shaft has been consolidated into the bond estimate. Once the revised bond has been received and accepted by the Division, the bond for the Apex Shaft will be released.

January 7, 1985

Memo to Board with Executive Summary attached. The surety bond required is \$737,000



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| January 8, 1985   | Request for Annual Report sent to SMC.  |
| January 31, 1985  | Letter from SMC responding to 1/24/85 meeting. Enclosed is additional information regarding 12/14/84 amended application.   |
| January 31, 1985  | 1984 Annual Report received from SMC.   |
| February 6, 1985  | Letter to SMC acknowledging receipt of annual report.   |
| February 25, 1985 | Letter to SMC responding to January 16 and 28 letters. Information is sufficient. All that remains before final approval can be granted is receipt of the surety bond.  |
| March 22, 1985    | Certified letter to SMC. Bond has not been received . SMC has been operating the Trixie Mine without a permit since it acquired the property. The Division allowed this to occur since SMC was working with DOGM in putting together a Mining and Reclamation Plan. At this point, it appears that SMC is not longer showing a good faith effort to finalize the permit. The Division has no choice but to take the issue to the Board of Oil, Gas & Mining and ask for a determination of whether or not the Trixie Mine should be allowed t continue to operate without a permit, unless SMC posts the required bond within the next month.   |
| April 2, 1985     | Letter from SMC. Closing the Kennecott Smelter at Magna has forced SMC to alter the operation of the Trixie Mine. Prior to the closing of the smelter, all ore produced from the Trixie was shipped to Kennecott for use as flux in the smelter. To keep the Trixie in production and market the metals, SMC will be required to mill the ore into concentrate, which will require a tailings disposal facility. Application for a permit to Construct and Operate Tailings Ponds 1, 2 and 3 for the Trixie Mine submitted. SMC later amended this to include pond 4. Ponds 2, 3, and 4 were used as settling ponds for mine water discharge when the Burgin mill was operating previously. |
| April 8, 1985     | Copy of letter from Arthur L. Owen Company to SMC confirming conversation. Kennecott Metals Corp, currently has an open purchase arrangement with SMC. Kennecott is a division of British Petroleum and Sohio. This is a temporary arrangement. Long-term contracts, estimated length - 1 year, are currently being negotiated with Asarco and Cominco. The State has granted an extension on the deadline of bond? to April 9th - granted by Susan Leonard, Supervisor.  |
| April 15, 1985    | Letter from SMC responding to DOGM 3/23/85 letter that bond has not been received. Bond will be submitted before the April Board.   |

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| April 23, 1985 | Received SMC's bond in the amount of \$737,000 from Aetna Casualty and Surety Company.  |
| April 25, 1985 | Certified letter to SMC. Bond returned as incomplete (six deficiencies noted). As SMC did make effort to submit bond, it will not be brought to the April Board. However, if not received back within 10 days it will be put on the next Board Hearing agenda.  |
| May 9, 1985    | Letter to SMC enclosing an "Affidavit of Qualification" for the Burgin Mine bond. Please sign, notary, stamp & date and return this page to the Division.   |
| May 20, 1985   | Review letter sent to SMC regarding 4/4/85 plan to construct tailings ponds for the Burgin Mill. Plan is deficient.   |
| May 22, 1985   | Letter from Arthur L. Owen Company. Original Affidavit of Qualification enclosed.   |
| June 3, 1985   | Letter sent Arthur L. Owen Company, sending copy of reclamation bond. Division acknowledges copy of \$737,000 bond.   |
| June 3, 1985   | SMC amends application to construct and operate Trixie tailings ponds 1, 2, 3, and 4. Ponds 2, 3 and 4 are immediately SW of the Burgin #1 shaft. Pond 1 is NE of the Burgin #1 shaft.  |
| June 3, 1985   | Received letter from JBR Consultants responding to Division 5/20/85 review letter.  |
| June 4, 1985   | Received letter from SMC regarding the Division's 5/20/85 review letter. SMC is very upset with our review - saying it is "nit-picky". SMC is in a bind because Kennecott closed the smelter. The area only involves @3 acres of area already inside the permit area. A reply from JBR Consultants should be submitted on June 4, 1985.       |
| June 12, 1985  | Division letter approves of the April 2, 1985 Trixie tailings ponds 1, 2, 3 and 4, modifications with stipulations. The stipulations required SMC to submit an accurate map of the disturbed area boundaries and provide an addendum to Exhibit A of the surety. This addendum was to describe and include these areas in the disturbed area. |
| June 17, 1985  | Letter from Arthur L. Owen Company requesting written verification for the release of bond in lieu of new bond filed 4/23/85.   |
| June 21, 1985  | Letter sent to Arthur L. Owen Company giving authorization to release \$67,572 bond which has been replaced.  |

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| August 7, 1985    | Division receives copy of August 5, 1985 letter from Department of Environmental Health (DEH) to SMC. Letter cites deficiencies in design plans for Trixie tailings ponds and the unapproved construction of pond #4. Additional information is requested by DEH.  |
| August 29, 1985   | Received copy of August 23, 1985 Notice of Violation, Order to Cease and Desist, and Order for Information issued by DEH to SMC. Representatives from Bureau of Water Pollution Control (BWPC) and the City-County Health Department inspected the Trixie mine tailings pond #4 August 21, 1985, and found the pond to be in use. The pond was not constructed according to the regulations. |
| November 7, 1985  | Received SMC's final report regarding the test plot program located at the Apex Shaft site.  |
| December 17, 1985 | SMC submits application for permit to construct and operate tailings ponds A, B and C for Trixie mine. Ponds A, B, and C are proposed where Pond #1 was to be located. [Note: Ponds 2, 3 and 4 were constructed].  |
| January 7, 1986   | Memo to file regarding tailings pond modifications. Pond designs must comply with State Health requirements. A cost estimate for reclamation of the proposed ponds is required. Additional bonding will not be required at this time due to the excess in the current bond amount for the main tailings pond and Hunter shaft area, which are not yet disturbed.                             |
| January 21, 1986  | Letter to SMC regarding review of final report. The Division will not require additional test plots until such time that it can evaluate the effectiveness of recent reclamation of several abandoned mine sites in the Tintic area (2-3 years from now).  |
| No date           | Received Annual Operations and Progress report for 1985.   |
| January 22, 1986  | Memo to file regarding 1/21/86 site tour and meeting at SMC's regarding Trixie Mine Tailings Ponds. Accurate watershed map needs to be submitted. Reclamation of the tailings ponds was also discussed. Agreement reached that the natural drainage would not be redirected through the reclaimed ponds and the drainage would continue to be diverted to the north of the ponds.            |
| January 30, 1986  | Letter from SMC addressing the remaining issues relations to the Tailings Ponds Modification application.  |
| February 5, 1986  | Letter to SMC regarding the 1/30/86 submittal of the tailings pond.  |

The peak flow values are calculated and sent. The diversion must be designed to handle the 10 yr - 24 hr precipitation event. Plans for the final permanent diversion must utilize a 100 yr - 24 hr design event.

February 18, 1986

Copy of letter from Department of Health to SMC regarding application for a permit to construct and operate tailings ponds. The general design and location are feasible; however, inadequacies need to be corrected and additional information submitted and approved prior to issuance of a permit.

February 19, 1986

SMC planning to complete a surface drill hole in already permitted and bonded area. The drill hole is needed to gain approval from BWPC to use ponds for mine dewatering. Depending upon drill results, this hole may be developed into a monitoring well for future ground water testing at the site.

March 25, 1986

Letter from SMC enclosing calculation summary of required flow values used in designing the Trixie pond area diversion canal. Also enclosed is a plan map.

May 23, 1986

Memo to file regarding SMC's 12/20/85 submittal to construct tailings ponds for the Trixie mine. It is recommended that this application be approved pursuant to the hydrology regulations.

June 13, 1986

Copy of Department of Health's (DOH) letter to SMC. DOH has not received information on liner material of a low permeability, final pond approval is not possible at this time. DOH needs information on the method of lime addition to neutralize the acid forming potential. The dike construction conforms to regulations; however a permit cannot be issued until adequate pond liner material is demonstrated.

June 11, 1986

Letter from SMC. DOH requests SMC drill an additional hole in the area of the mine water dispersion ponds to define downward flow gradient in the aquifer. This hole will become a permanent monitor well upon completion.

September 19, 1986

Letter to SMC requesting SMC analyze and submit the  $\text{CaCO}_3$  percent in the tailings material. When such time the Acid Base Potential (ABP) is known an adequate reclamation plan may be devised.

November 7, 1986

Chief Consolidated Mining Company's letter to shareholders reporting Sunshine's plans for a major reopening of the Burgin Mine.

November 10, 1986

Letter from SMC submitting the results of the ABP test of the Trixie tailings.

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| December 2, 1986  | Copy of letter from SMC to Steve McNeil, DOH regarding their review of the tailings ponds construction permit. Information required has been submitted. SMC does not currently require a tailings pond system, but would like approval in order to increase the flexibility and options the operation may have to re-open or possibly run at a reduced scale.   |
| December 10, 1986 | Letter from SMC with 12/2/86 letter to DOH enclosed. During recent telephone conversation, the Division approved all the data needed to construct the ponds. The only requirement needed is a bond or rider to cover the reclamation costs for the new tailings pond area. Woods Petroleum is completing the necessary work for this requirement.   |
| January 5, 1987   | Request for 1986 annual report.   |
| March 4, 1987     | SMC presented letter to BWPC Board meeting. SMC has no immediate plans to use the dispersion ponds for mine discharge water.  |
| March 5, 1987     | Received SMC's annual report for 1986. The operation is in a standby maintenance mode.  |
| November 16, 1987 | Chief Consolidated Mining Company's letter to shareholders. The Trixie gold mine was reopened by Sunshine in late October, 1987 after being closed for over two years. Production expected to resume within the next several weeks. SMC recently signed an agreement with Kennecott to furnish ore to Kennecott's Utah smelter. The current proven and probably Burgin Mine reserves have a gross metallic value of over one-third of a billion dollars at current metals prices. |
| December 4, 1987  | Request for 1987 annual report.   |
| January 8, 1988   | Received 1987 annual report. Operation was in a shutdown - caretaker status.  |
| March 7, 1988     | File review prepared by Division staff. Review recommends SMC provide one consolidated plan upon re-opening their mines and mill. The lack of addendum A to the surety is noted. (Review provides a concise description of permit and bonding activities).  |
| May 26, 1988      | Site Inspection of 5/17/88 memo to file. SMC currently mining ore from the Trixie Shaft. Ore is then hauled to Kennecott smelter. The main offices are located at the Burgin Mill and shaft area. The mill has been run only briefly in 1985 when Kennecott shut down. The mill was forced to shut down when it ran out of approved tailings storage area. SMC is currently evaluating the possibility of reopening the   |

mill. SMC will have to obtain approval from the Bureau of Water Pollution Control for a new set of tailings ponds and for mine water discharge prior to this happening. SMC will need to amend Attachment A of the bonding agreement. Forms were left during the visit.

February 3, 1989

Request for 1988 annual report.

February 13, 1989

Received 1988 annual report. Trixie mine only mined ore during the year. If financing becomes available, development at the Burgin will commence.

June 1989

Newspaper clipping - Chief Aims Suit at Sunshine. Chief filed suit in federal court charging SMC with racketeering and other wrongdoings. The suit contended that SMC claimed ore production would begin in 1988 and by the end of 1994 total net smelter returns were to top \$351 million. The suit claims that SMC didn't mine a single pound of ore, but sold or participated in sale of more than \$100 million of SMC securities. But the promise of ore reserves at the Burgin and intention of going into production benefited only SMC and not Chief. It was also a fraud upon the investing public. Chief concluded that SMC's motives were not consistent with its lease obligations.

December 11, 1989

Chief Consolidated Mining Company's letter to shareholders. Chief informed public that it filed a lawsuit on June 7, 1989 against SMC for not developing the Burgin mine as agreed to in the lease; but SMC had instead wrongfully exploited Chief's properties by Racketeering methods (RICO) selling securities on the strength of high grade silver and base metal reserves without SMC intending to mine the ores. On November 27, 1989, the US District Court Judge ruled in favor of SMC to dismiss the RICO claims brought against them by Chief. The Court's ruling on the RICO issue does not affect the remaining causes against SMC involving the mining leases.

January 5, 1990

Request for 1989 annual report.

January 29, 1990

Received 1989 annual report. Trixie mine is active; Apex-Burgin mine on standby status.

March 13, 1990

Notice of Intention to Revise Mining Operations faxed and hard copy sent to SMC.

November 19, 1990

Speed Message to file: The Division told SMC they would prefer the proposed expansion be submitted as an amendment/revision to the existing LMO M/049/009. In the interim, they can begin roadwork,



etc. under the EXP, just include an explanation in the cover letter explaining the work to be done and that the disturbance will be under 5 acres. SMC said they would fill out our forms and submit something soon.

December 28, 1990

Request for 1990 annual report.

January 22, 1991

Received 1990 annual report. Trixie mine was active; Apex in exploration only; Burgin inactive.

April 29, 1991

SMC notifies Division of desire to continue and expand their Zuma pit operation. SMC requests reassigning currently unused portions of their reclamation bond to the Zuma operation. A first draft Notice of Intent to Revise Operations is submitted. SMC suggests reassigning bond portions for the Hunter shaft (\$48,100) and/or tailings pond (\$17,450). The Zuma operation is estimated to disturb 7 acres.

November 6, 1991

Received SMC Notice of Intent to Revise. The Hunter shaft will most likely not be developed. No work has been performed there to date. The tailings pond modification was approved by the Division, but no work has been performed yet. SMC proposes reassigning one or both bond amounts for these areas. Variances are requested to leave the Zuma pit's south highwall as is, and bench the north highwall. Additional variances for topsoil (none was salvaged during the pre-act operation) and a runoff diversion ditch are requested.

November 22, 1991

Chief Consolidated Mining Company's letter to shareholders. Lawsuit to begin on August 5, 1991 in Provo, Utah was postponed until February 1992. After hearing oral arguments on August 12, 1991, the Court affirmed a final ruling that dismissed from the lawsuit Chief's claims against SMC premised upon SMC's breach of its mining leases with Chief and SMC's failure to proceed with mining. Chief is filing an appeal to the US Supreme Court.

December 3, 1991

Letter to SMC stating there would be a 30-45 day delay in reviewing the 11/6/91 revision due to a backlog of other permit reviews.

December 5, 1991

Letter to SMC acknowledging receipt of completion of the Trixie and Eureka Standard - Apex Project exploration program. The Zuma and Kiron King exploration permit has also been completed but not reclaimed.

December 19, 1991

Newspaper article - Salt Lake Tribune. Idaho Silver Mine Warns Creditors of Liquidation. SMC may be facing bankruptcy liquidation unless debts are reduced and silver prices improve.

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| December 19, 1991 | Memo to file. Division performed a site inspection 12/18/91. The Hunter shaft, tailings pond and Zuma pit areas were visited. The shaft and tailings pond are proposed facilities with no existing disturbance at this time.   |
| January 10, 1992  | Letter from SMC showing partial copy of the Eureka 7 ½ degree quadrangle map showing the generalized permitted, nonpermitted, and in "limbo" areas.  |
| January 13, 1992  | Request for 1991 annual report.  |
| January 27, 1992  | Received 1991 annual report. Trixie Mine waste rock dump was expanded by 0.15 acres. The Zuma Pit disturbed 1.2 acres which includes road construction and the removal of an existing waste rock dump.   |
| March 25, 1992    | Letter from Sunshine enclosing maps to accompany SMC's amendment to include the Zuma pit.  |
| May 13, 1992      | Criteria for defining amendments and revisions. This proposal is considered an amendment.  |
| June 19, 1992     | Review of Permit Amendments received November 6, 1991, January 10, 1992 and March 25, 1992. Deficiencies noted. Draft surety estimate attached. The Division is comfortable with reassigning a portion of the existing \$737,000 bond to the Zuma project for the time being.  |
| July 23, 1992     | Letter to SMC thanking them for the field tour conducted on July 2, 1992.  |
| August 28, 1992   | Letter from SMC responding to June 19, 1992 Division letter.   |
| September 1992    | Article from "Pay Dirt" Magazine - "Eureka, home of Tintic District, marking its centennial.   |
| November 16, 1992 | Excerpt from Press Release issued by Chief Consolidated Mining Company. Chief Consolidated Mining Company announced that it has settled its lawsuits brought in the federal and Utah State courts against SMC. Under the terms of the settlement SMC transferred to Chief all of SMC's other property holdings and interests in Utah's Tintic Mining District. Also, under the terms of the settlement agreement, SMC purchased 50,000 shares of unregistered Chief common stock from Chief. |
| December 9, 1992  | Final Approval of Zuma Pit permit amendment sent to SMC.   |



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| December 21, 1992 | Article from Chief Consolidated Mining Company to Shareholders. On November 13, 1992, agreement was reached between Chief and SMC wherein SMC terminated its two leases with Chief. Chief took back full control of a 6,400 acre area of its properties located in the East Tintic Mining District, which includes the Burgin orebody and other Burgin property assets. Also, SMC transferred full ownership of SMC's other properties and claims in Utah.  |
| January 4, 1993   | Request for 1992 annual report.   |
| January 26, 1993  | Copy of SMC's bond faxed to Randy Skanchy (attorney).   |
| January 27, 1993  | Received 1992 annual report from SMC. Mine is active, 50,002 tons flux and 38,901 tons clay mined. Property is under new management- Chief Consolidated Mining Co. and South Standard Mining Co.  |
| February 19, 1993 | Received letter from South Standard Mining Company. Notice of Intention to amend mining operations, submitted on behalf of South Standard Mining Company for the Trixie Shaft area. No significant change in the operations or reclamation of the Trixie is anticipated under South Standard's management. As this notice is splitting out one permit area from an NOI covering several, an amendment was felt to be more appropriate than simply a transfer of the NOI. A fully executed Transfer of Notice of Intention is included with this letter, together with a partially completed reclamation contract.   |
| March 8, 1993     | Letter to SMC. Division is aware that a recent court decision has changed the operator status for the Burgin Project; however, the Division has not been formally notified of changes in permitting responsibility. The 12/9/92 letter has not been responded to regarding reassignment of a portion of the existing surety to cover the Zuma Pit amendment; wherein the Division asked for acknowledgment regarding the omission of the Hunter Shaft and inclusion of the Zuma Pit. The Division cannot release the portion of the existing SMC bond for the Trixie area until an acceptable replacement surety is approved by the Board. Also, the surety covering the remaining portions of the Burgin project cannot be released until replacement surety is approved. Please provide the name and address of the new contact person for this project is appropriate. |
| March 22, 1993    | Letter to South Standard. Due to a backlog of other permit reviews, 30-45 more days needed to review amended NOI for the Trixie Shaft area.   |

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| March 25, 1993    | Letter from SMC in response to 3/8/93 letter. In November 1992, SMC and its wholly-owned subsidiaries entered into an agreement with Chief Consolidated Mining Company and South Standard Mining Company, whereby SMC relinquished all its interests in the East Tintic Mining District effective January 1, 1993. This agreement allowed South Standard to assume operational control of the Trixie and surrounding claims, while Chief took possession of the remaining properties, including the Zuma Pit, Apex Shaft, Burgin Mine and Mill, Hunter Shaft area, tailings ponds, etc. It was also agreed that until SMC's bond is released by replacement bonds, SMC's liabilities and responsibilities under the current permit, plan and bond shall continue in full force and effect. However, no mining or development is to take place until replacement bonds have been posted. |
| May 21, 1993      | Review of South Standard Mining's Trixie Mine with deficiencies noted, sent to South Standard. Also copy faxed to Allan Young of SMC.   |
| May 26, 1993      | LMO and reclamation surety estimate faxed to Allan Young of SMC. Original LMO & surety estimate sent to Thomas Henry.   |
| June 1, 1993      | Faxed power pole reclamation cost to Allen Young of SMC.  |
| July 22, 1993     | Received annual report of Chief Consolidated Mining Company   |
| December 13, 1993 | Request for 1993 annual report sent to SMC.   |
| March 28, 1994    | Press release received from Chief Consolidated Mining Company (Chief). Chief announced today that it had entered into an agreement with AKIKO Gold Resources Ltd. providing creating of a joint venture for the development of Chief's East Tintic Mining District properties.  |
| April 26, 1994    | South Standard posted replacement surety bond in the amount of \$39,800 for the Trixie mine.  |
| June 25, 1994     | Newspaper article (Deseret News). Chief, owner of the Burgin Mine, and Akiko Gold of Canada will reopen the mine.   |
| July 15, 1994     | Copy of letter from DWQ to Chief. It has come to DWQ's attention that the Burgin Mine is being proposed to be placed back into operation under a joint venture in the near future. SMC's previous construction permit, issued in 1986, had expired and no further extensions would be issued. Any activities related to the mine which impact ground water must be submitted at least six months before the permit is needed.   |

August 4, 1994

Phone call from Tom Gast of Environmental Management Services (EMS). He has been hired by Chief to carry out the permit transfer process for the remaining Burgin, Apex and Hunter shaft properties presently permitted by SMC. Mr. Gast will be contacting the Division to set up a meeting in the near future to discuss how to permit the remaining mining properties bonded by SMC that were not assumed by South Standard (who recently permitted only the Trixie Mine).

August 26, 1994

Informational document submitted by Chief regarding planned exploration activities Apex No 2 Shaft project. This shaft is part of the Burgin mine complex permit under SMC as operator and Chief as property owner. SMC has relinquished the property to Chief and Chief has begun preparation of a Transfer of NOI, which is planned to be completed and filed by the end of 1994.

September 7, 1994

Letter to Chief. The Division has reviewed the 8/26/94 Information Document. The Division determined that the proposed activity falls within the permitted area as outlined under SMC's existing permit. This exploration activity will not require any additional permitting action from the Division.

December 15, 1994

Request for 1994 annual report.

January 23, 1995

Received 1994 annual report from Burgin Mine Joint-Venture. Mine active; 1,000 tons of development rock mined. Will continue underground drifting and drilling Permit transfer in preparation.

March 13, 1995

Copy of Dow Jones News 2/22/95. Chief unveiled results of its first two drill holes in the silver-lead-zinc reserves of the company's Burgin orebody in Tintic, Utah.

July 20, 1995

Letter from Aetna Insurance Company - regarding SMC's surety bond #18 S 100125197. Aetna requests current status of mining reclamation. If the bond can be terminated, please provide that release. If not, please advise anticipated completion date.

August 2, 1995

Response letter sent to Aetna Insurance 7/18/95 letter. SMC no longer operator or holds title to the Apex/Burgin or Trixie Mine properties. The properties have reverted back to their original owners, South Standard Mining Company (Trixie) and Chief Consolidated Mining (Apex/Burgin). The Division knowledge, no reclamation has been performed at the Apex/Burgin mine to date, and operations remain in temporary suspension. Chief has performed and is currently conducting some underground mine development under the existing Apex/Burgin mine permit. Chief has not formally transferred the

Apex/Burgin mine permits from SMC or posted a replacement reclamation surety. Chief is working on the process, but until a new replacement suety is posted, and approved by the Board, we are unable to release SMC's reclamation bond.

August 21, 1995

Letter received from SMC requesting a reduction of reclamation liability for the portion that is now covered by a replacement reclamation surety posted by South Standard.

November 17, 1995

Chief's Interim Report to Shareholders. Korea Zinc Co. Ltd. purchased 500,000 shares from Chief representing 9.5%. Korea Zinc's proposed entry into the joint venture

December 13, 1995

Request for 1995 annual report.

February 7, 1996

News release - Chief reports assay results of its latest drill holes.

March 7, 1996

Letter to SMC regarding their 8/18/95 surety bond reduction request. South Standard submitted \$39,800 replacement bond for the Trixie mine. Chief has not filed a replacement bond, transfer form or new permit application for the remaining Apex and Burgin mine properties. The Division authorizes reduction of the existing surety by \$39,800. This can be accomplished via a rider to the existing surety.

March 27, 1996

Letter to SMC stating the Division is in receipt of the rider from Aetna Insurance which reduces the bond from \$737,000 to \$697,200 - the difference of \$39,800 which South Standard posted. The Division awaits the permit transfer from SMC to Chief for the Apex/Burgin.

No date

annual report of Chief Consolidated Mining Company for the year ended December 1995.

December 10, 1996

Request for 1996 annual report.

November 20, 1996

Received Chief's Interim report to shareholders. Thyssen Mining Construction of Canada, Ltd., entered into an agreement with Tintic Utah Metals LLC, the joint venture entity that was formed to develop the new Burgin mine.

February 14, 1997

Received faxed copy from Tom Gast of the cost basis for the Burgin permit transfer. Would appreciate Division comments regarding the cost format and cost factors they are using.

February 24, 1997

Received copy of letter from DWQ to Tintic Utah Metals (Tintic). DWQ has received Tintic's application for a UIC Class V area permit



for the Burgin mine. The permit review should be finished before the end of February.

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| June 9, 1997  | Received copy of DWQ's deficiency review of the UIC permit to Tintic.   |
| June 16, 1997 | Received letter from Tintic. Enclosed two copies of request to transfer the Burgin mine large mining permit from SMC to Tintic Utah Metals LLC.   |
| June 27, 1997 | Received letter from SMC. They received a copy of Tintic's 6/16/97 letter regarding the transfer. Please advise when SMC can expect to have the \$697,200 bond released.  |
| June 30, 1997 | Received copy of DWQ letter to Tintic regarding request for permit application data on the geothermal energy facilities for Mother Earth Industries and Utah Power. Neither of these facilities has filed an Underground Injection Control (UIC) permit application.  |
| July 7, 1997  | Letter sent to SMC responding to their 6/27/97 letter regarding the release of the surety bond. Before the Division can release SMC's surety the Division needs to review the transfer application from Tintic, verify the new proposed reclamation cost estimate and have the replacement surety from Tintic in place. We anticipate this to be completed near the end of October, 1997. |

**SUNSHINE MINING COMPANY (SMC)**

M/049/009

**Bonding Summary**

(January 16, 1992)

|                              | Area Within Permit<br>Boundary (acres) | Area Currently<br>Disturbed (acres) | Area Currently<br>Bonded by DOGM<br>(acres) | Itemized Bond<br>Amount<br>1984 - \$ (3) |
|------------------------------|--|-------------------------------------|---|--|
| Apex Shaft Area              | 2.8                                    | 2.0<br>(?)                          | 2.8   | 41,440                                   |
| Trixie Shaft Area            | 11.4                                   | 3.8<br>(?)                          | 4.95  | 37,320                                   |
| Hunter Shaft Area*           | 10.0                                   | 0                                   | 5.71  | 48,100                                   |
| Burgin Mill Area             | 57.9                                   | 29.4<br>(?)                         | 29.4  | 129,600                                  |
| Burgin Tailings Pond*        | 41.37                                  | 28.67<br>(?)                        | 28.67                                       | 39,310                                   |
| Burgin Settling Ponds        | 180.0                                  | 26.0<br>(?)                         | 26.0  | 30,750                                   |
| Trixie Tailings Pond #1*     | 0                                      | 0                                   | 0   | 0  |
| Trixie Tailings Ponds #2-4   | 2.2<br>(?)                             | 2.2<br>(?)                          | 0   | [4,920 (1)]                              |
| Trixie Tailings Ponds A,B,C* | 10.01<br>(?)                           | 0                                   | 0   | [17,450 (2)]                             |
| Zuma Clay Operation          | 7*                                     | 5                                   | 0   | [11,400*]                                |

- \* Denotes proposed project
- (?) Need verification from operator
- (1) SMC estimate in 1985 dollars, not currently bonded by DOGM
- (2) SMC estimate in 1986 dollars, not currently bonded by DOGM
- (3) These values do not include the 10% contingency or escalation to 1995

Note: Current bond held by DOGM is for \$737,000 in 1995 dollars

B-6 Permit Transfer Application 1997

M/049/009

**STATE OF UTAH  
DIVISION OF OIL, GAS AND MINING  
LARGE MINING OPERATION  
PERMIT TRANSFER APPLICATION  
BURGIN MINE PROJECT**

Prepared for:  
State of Utah  
Division of Oil, Gas and Mining  
1594 West North Temple, Suite 1220  
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Attn.: D. Wayne Hedberg  
(801) 538-5340

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DOGM RECEIVED  
JUNE 16, 1997

May 1997



## **1.0 INTRODUCTION AND SUMMARY**

The Burgin Mine is located in the East Tintic Mining District, Utah County, Utah (figure 1.1). In 1984 the Burgin property was the subject of an approved Mining and Reclamation Plan filed with UDOGM (File Number ACT/049/009) by Sunshine Mining Company. The project was initially bonded in the amount of \$737,000. The bond was reduced to \$697,200 on March 27, 1996 and the bond has remained in effect from the time of project approval to the present. Chief Consolidated Mining Company took control of the Burgin property in 1993 and began expansion of the Sunshine exploration program. Chief and its partners formed a new company in 1996 for the purpose of returning the Burgin mine to production. The new company, Tintic Utah Metals LLC, has prepared a request to transfer the current Mining and Reclamation Permit to Tintic Utah Metals LLC. Upon approval of the transfer, Tintic Utah Metals LLC will assume all responsibility for the property and Sunshine Mining Company will be released from further obligation.

Because of changes to the mining plan during Sunshine's period of control and revisions resulting from Tintic Utah Metals LLC current feasibility studies, it was suggested by D. Wayne Hedberg that the permit transfer request could most properly be presented in the format of a new application. The LLC is in agreement and this document has been prepared in the suggested format.

### **1.1 Background**

The property surrounding the Burgin area was leased to Kennecott in 1956. Work on the Burgin No. 1 shaft was begun in 1957 and it was sunk to a depth of 1,100 feet. From 1957 through completion of the Burgin No. 2 shaft to a depth of 1,331 feet in 1964, exploration, mine development and limited production operations were conducted through the Burgin No. 1 shaft. Two production levels (1200 and 1300) were established from the No. 2 shaft. Production began in 1964 with all lead/silver/zinc ore being direct shipped to smelters outside the district. The north exploration drift was begun in 1966 and most exploration drifting and mine development activities were complete by 1971. The 500 tpd concentrator, including a crushing plant and tailings disposal facility, was completed in 1967. Burgin production included both direct shipped ore and concentrate until operations were suspended by Kennecott in 1978. Kennecott returned the property to its owner in 1979 and it was leased by Sunshine Mining Company in 1980. In 1984 the Burgin property was the subject of a Mining and Reclamation Plan filed with UDOGM. Sunshine conducted a variety of exploration and development activities on the property until it canceled its leases and returned it to its owner in 1993. Exploration of the Burgin orebody by Chief and new joint venture Tintic Utah Metals LLC has continued from 1994 into 1997.

### **1.2 Planned Development**

Planned development of the Burgin orebody by the Applicant includes completion of a new production shaft named the Burgin No. 3. While the Burgin No. 2

shaft will remain open for ventilation purposes, the headframe and hoist will be relocated to the Burgin No. 3 site. All ore mined will be from below the watertable. Ground water will be collected underground, pumped up the Burgin No. 3 shaft and through an overland pipeline to the Tintic Standard mine area where it will be injected into the East Tintic Geothermal Aquifer.

Ore will be mined by conventional underground methods, hoisted to the surface and placed into a loading bin. The ore will be truck hauled from the Burgin No. 3 shaft area and placed into a surge pile at the Burgin No. 2 area. From the surge pile, the ore will be conveyed to the crushing plant which includes a primary jaw crusher and a secondary cone crusher along with screen decks. Although the ore will be inherently wet, water spray bars will be used to control dust at areas where control by the baghouse is not practical. Crushed ore will be conveyed to the two existing 750 ton fine ore storage bins. Fine ore will be conveyed to the 10-foot by 66-inch ball mill for wet grinding. After grinding, the slurry will be pumped to the flotation plant where various flotation chemicals will be added and the finely ground pulp will be circulated through a series of flotation cells, thickeners and filters. A lead/silver and a zinc concentrate will be produced, stored and loaded for transportation to a custom smelter. Some tailings may be used to produce a paste backfill product for use underground. Any tailings not used for backfill will be stored in the tailings disposal facility.

### **1.3 Application Organization**

The proposed Burgin mine operation includes utilization of a number of discrete facilities separated by undisturbed lands. Because of this fact, it has been decided to organize this application by facility. Included are details of the operating and reclamation plan, variance requests and reclamation cost estimates. It is believed that this presentation will result in a better understood project by all parties. The Application includes the sections listed below. The location of the various facilities is shown of figure 1.2.

1. Introduction and Summary
  2. General Information
  3. Site Characterization
  4. Apex No. 2
  5. Burgin No. 1
  6. Burgin No. 2
  7. Burgin No. 3
  8. Mine Dewatering/Disposal System
  9. Tailings Disposal
  10. Zuma
  11. Settling Ponds
  12. References
- Appendices

#### 1.4 Variance Summary

Many of the Burgin facilities were developed during the 1960s (pre-law) and no topsoil was salvaged. Revegetation test plots sponsored by Sunshine in the 1980s demonstrated that revegetation of the waste rock dumps without topsoil would not be successful. Consequently the Applicant is proposing to attempt revegetation where practical but is requesting that the usual success standards not be applied. Additionally, for reasons explained in the individual sections, the Applicant (Owner) is requesting that a number of the shafts not be permanently closed and that certain structures with definite future usefulness not be removed during closure. The variances requested by facility are listed on Table 1.1 below.

**Table 1.1**  
**Variance Summary**

| Facility                 | Rule Number    | Description                    |
|--------------------------|----------------|--------------------------------|
| Apex No. 2               | 647-4-111.1.11 | Permanent Sealing of Shafts    |
|                          | 647-4-111.6    | Slope Reduction                |
|                          | 647-4-111.12   | Topsoil Redistribution         |
|                          | 647-4.111.13   | Revegetation Standard          |
| Burgin No. 1             | 647-4-111.1.11 | Permanent Sealing of Shafts    |
|                          | 647-4-111.11   | Removal of Structures          |
|                          | 647-4-111.6    | Slope Reduction                |
|                          | 647-4-111.9    | Impoundments                   |
|                          | 647-4-111.12   | Topsoil Redistribution         |
|                          | 647-4.111.13   | Revegetation Standard          |
| Burgin No. 2             | 647-4-111.1.11 | Permanent Sealing of Shafts    |
|                          | 647-4-111.11   | Removal of Structures          |
|                          | 647-4-111.6    | Slope Reduction                |
|                          | 647-4-111.12   | Topsoil Redistribution         |
|                          | 647-4.111.13   | Revegetation Standard          |
| Burgin No. 3             | 647-4-111.1.11 | Permanent Sealing of Shafts    |
|                          | 647-4-111.8    | Roads                          |
|                          |                |                                |
| Mine Dewatering/Disposal | 647-4-111.12   | Topsoil Redistribution         |
|                          | 647-4.111.13   | Revegetation Standard          |
| Tailings Disposal        | None           | None                           |
| Zuma                     | 647-4-111.7    | Highwalls Less than 45 Degrees |
|                          | 647-4-111.12   | Topsoil Redistribution         |
|                          | 647-4.111.13   | Revegetation Standard          |

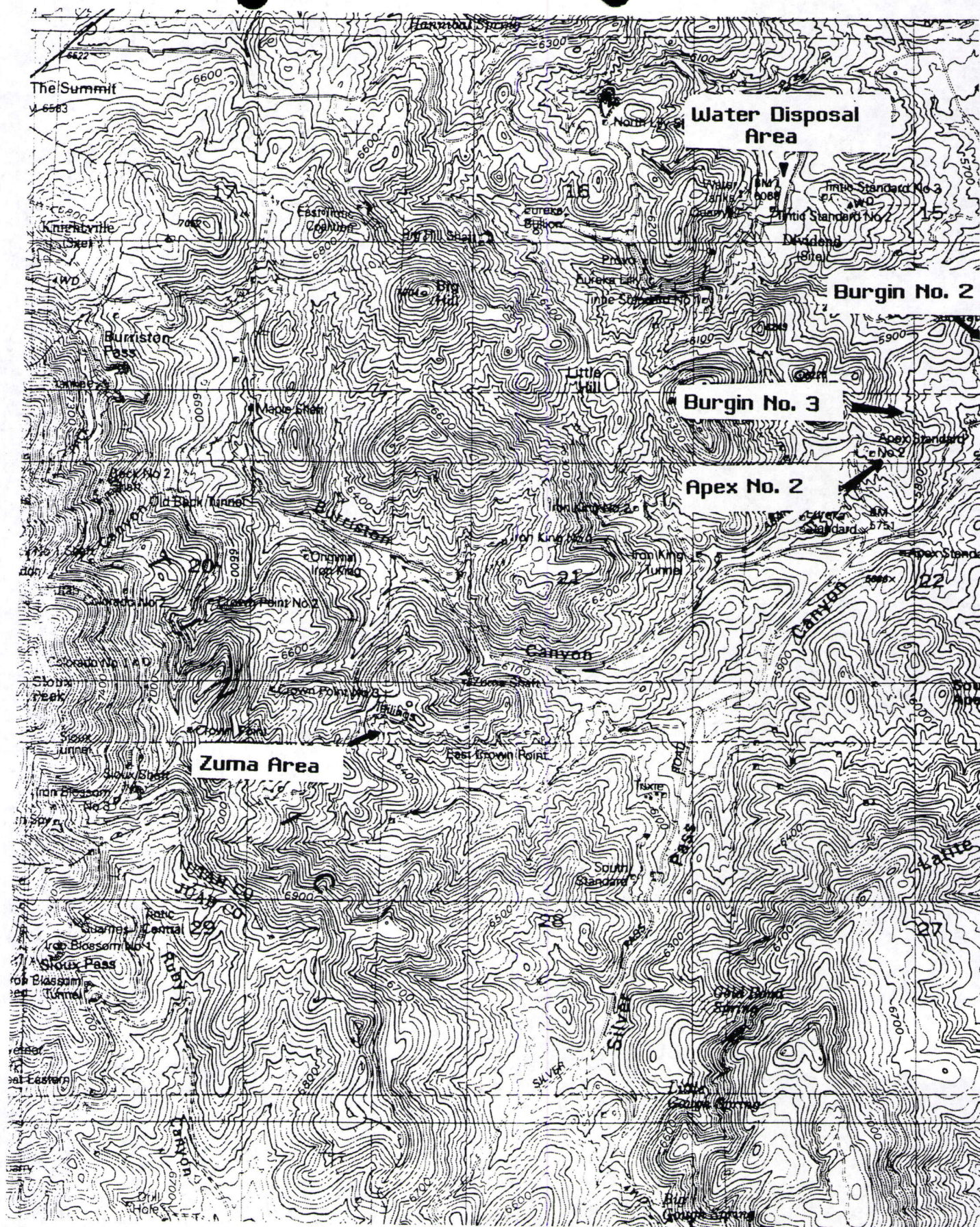
## 1.5 Reclamation Cost Summary

Current plans include development of the Burgin mine during 1997, 1998 and 1999. Ore production at a rate of 900 tons per day will continue for the five years from 2000 through 2005. Reclamation costs have been calculated in 1997 dollars and inflated by 2.54% per year to 2002. Listed on Table 1.2 is the Reclamation Cost Summary for the project.

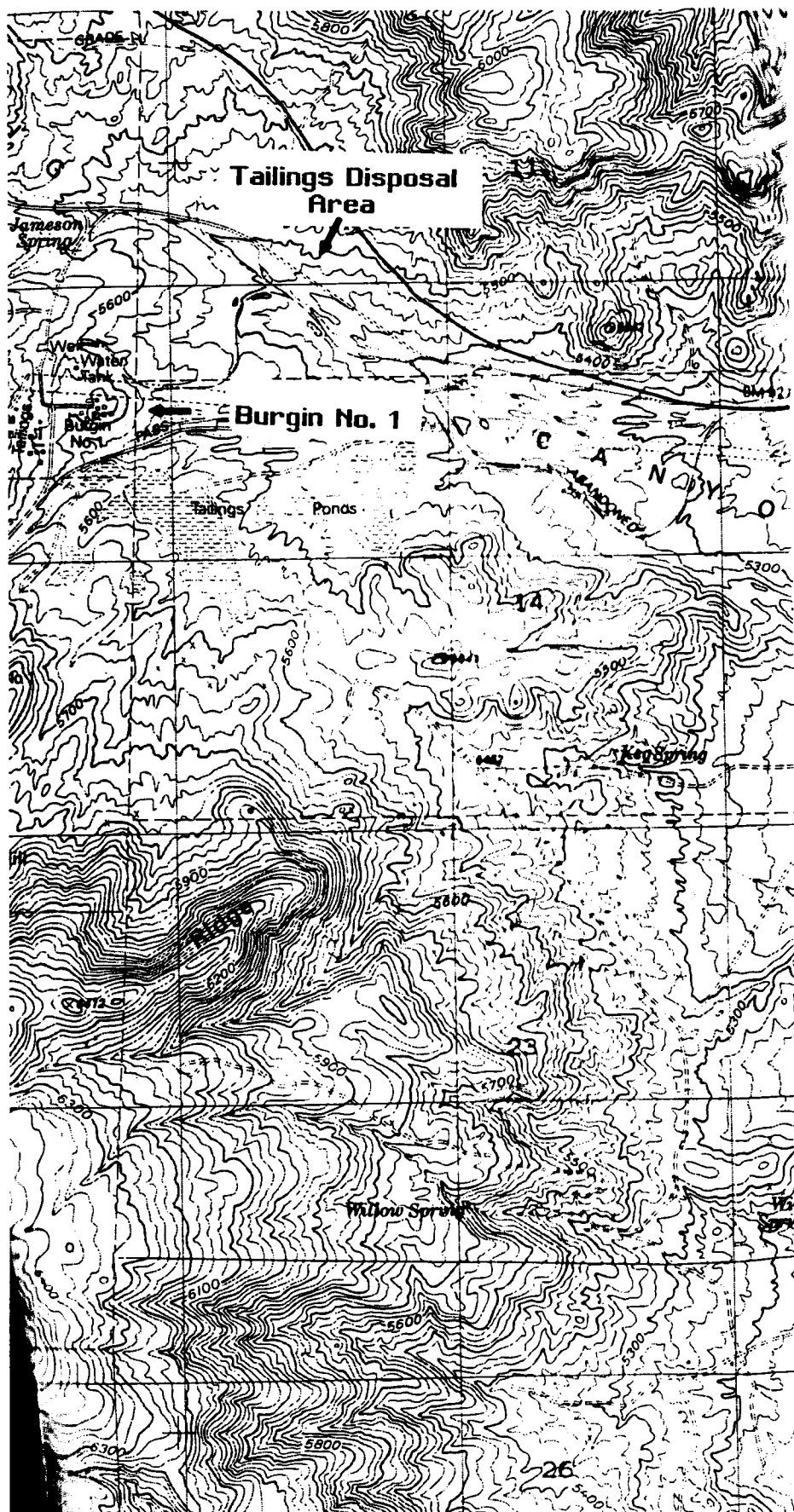
**Table 1.2**  
**Reclamation Cost Summary**

| <b>Facility</b>          | <b>\$ 1997</b>      | <b>\$ Escalation</b> | <b>\$ 2002</b>      |
|--------------------------|---------------------|----------------------|---------------------|
| Apex No. 2               | \$51,952.00         | \$6,884.00           | \$58,836.00         |
| Burgin No. 1             | \$66,705.00         | \$8,838.00           | \$75,543.00         |
| Burgin No. 2             | \$60,763.00         | \$8,051.00           | \$68,814.00         |
| Burgin No. 3             | \$62,430.00         | \$8,272.00           | \$70,702.00         |
| Mine Dewatering/Disposal | \$23,130.00         | \$3,065.00           | \$26,195.00         |
| Tailings Disposal        | \$63,290.00         | \$8,386.00           | \$71,676.00         |
| Zuma                     | \$9,045.00          | \$1,198.00           | \$10,243.00         |
| <b>Totals</b>            | <b>\$339,312.00</b> | <b>\$44,694.00</b>   | <b>\$384,011.00</b> |









TINTIC UTAH METALS L.L.C.

BURGIN MINE

FACILITIES LOCATIONS

Figure 1.2

Eureka Quadrangle  
7.5 Minute Series

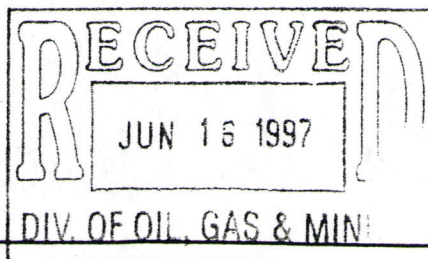
#### 4.9.2 Apex No. 2 Shaft Area Closure and Reclamation Cost Estimate

Prepared by:

Environmental Management Services Company and Cedar Creek Associates

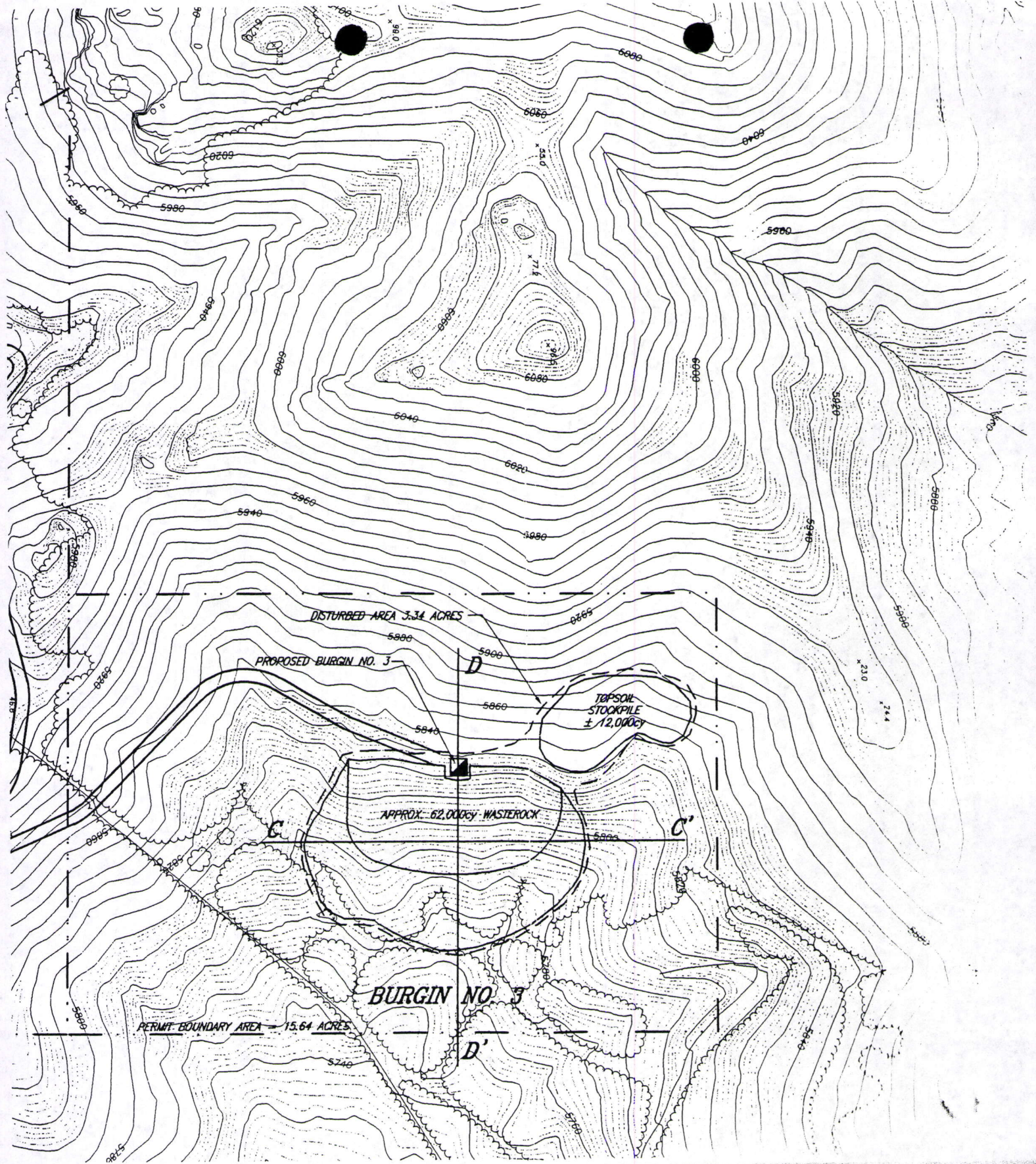
| Description  | Units      | Cost / Unit | Item Cost   |
|--|------------|-------------|-------------|
| 1.) Structure, Equipment and Headframe Removal; and Shaft Closing: | lump sum   | \$39,068.00 | \$39,068.00 |
| 2.) General Site Cleanup and Trash Removal:                        | 3.0 ac.    | \$40.00     | \$120.00    |
| 3.) Regrade and Rip Access Road:                                   | 0.10 ac.   | \$202.00    | \$20.00     |
| 4.) Final Grading of Level Portion of Pad:                         | 1.96 ac.   | \$60.78     | \$119.00    |
| 5.) Rip Pad Area to be Revegetated:                                | 0.75 ac.   | \$60.78     | \$46.00     |
| 6.) Apply Coarse Limestone:  | 2.0 ac.    | \$361.00    | \$722.00    |
| 7.) Apply Agricultural Limestone                                   | 0.75 ac.   | \$3,765.00  | \$2,824.00  |
| 8.) Soil reapplication:  | 1,346 yds. | \$1.00      | \$1,346.00  |
| 9.) Seedbed Prep., Fertilization (Pad & Road):                     | 0.85 acs.  | \$251.00    | \$213.00    |
| 10.) Manual Broadcast Seeding (Pad & Road)::                       | 0.85 acs.  | \$215.00    | \$183.00    |
| 11.) Hydromulching:  | 0.85 acs.  | \$668.00    | \$568.00    |
| 12.) Mobilization/Demobilization:                                  | lump sum   | \$2,000.00  | \$2,000.00  |
| Subtotal   |            |             | \$47,229.00 |
| 10% Contingency  |            |             | \$4,723.00  |
| 1997 Total Costs   |            |             | \$51,952.00 |
| 5 yr. Escalation (2.52% per yr.)                                   |            |             | \$6,884.00  |
| Total in Year 2002   |            |             | \$58,836.00 |





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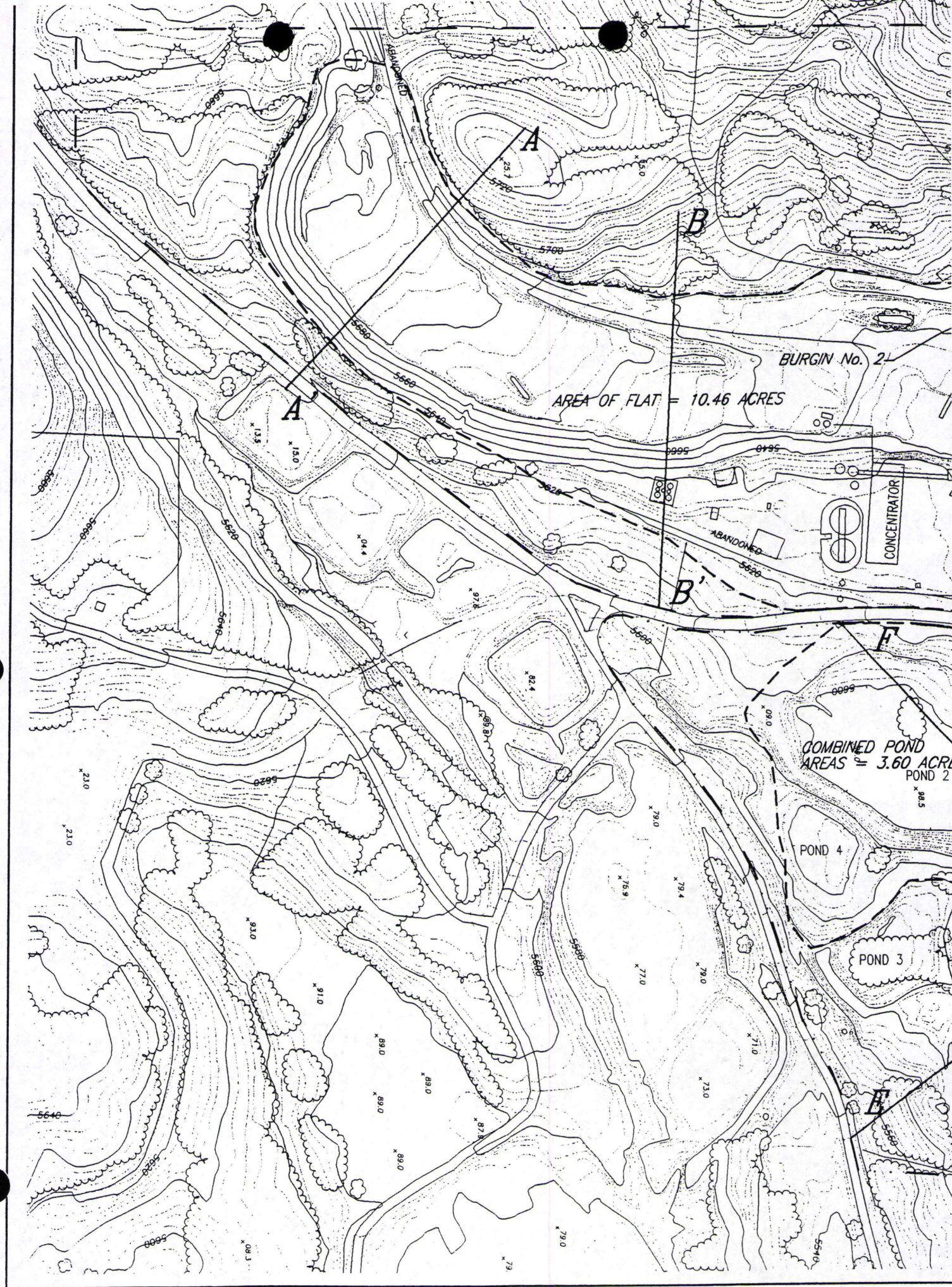
SCALE IN FEET  
100'

TINTIC UTAH METALS, LLC  
BURGIN MINE

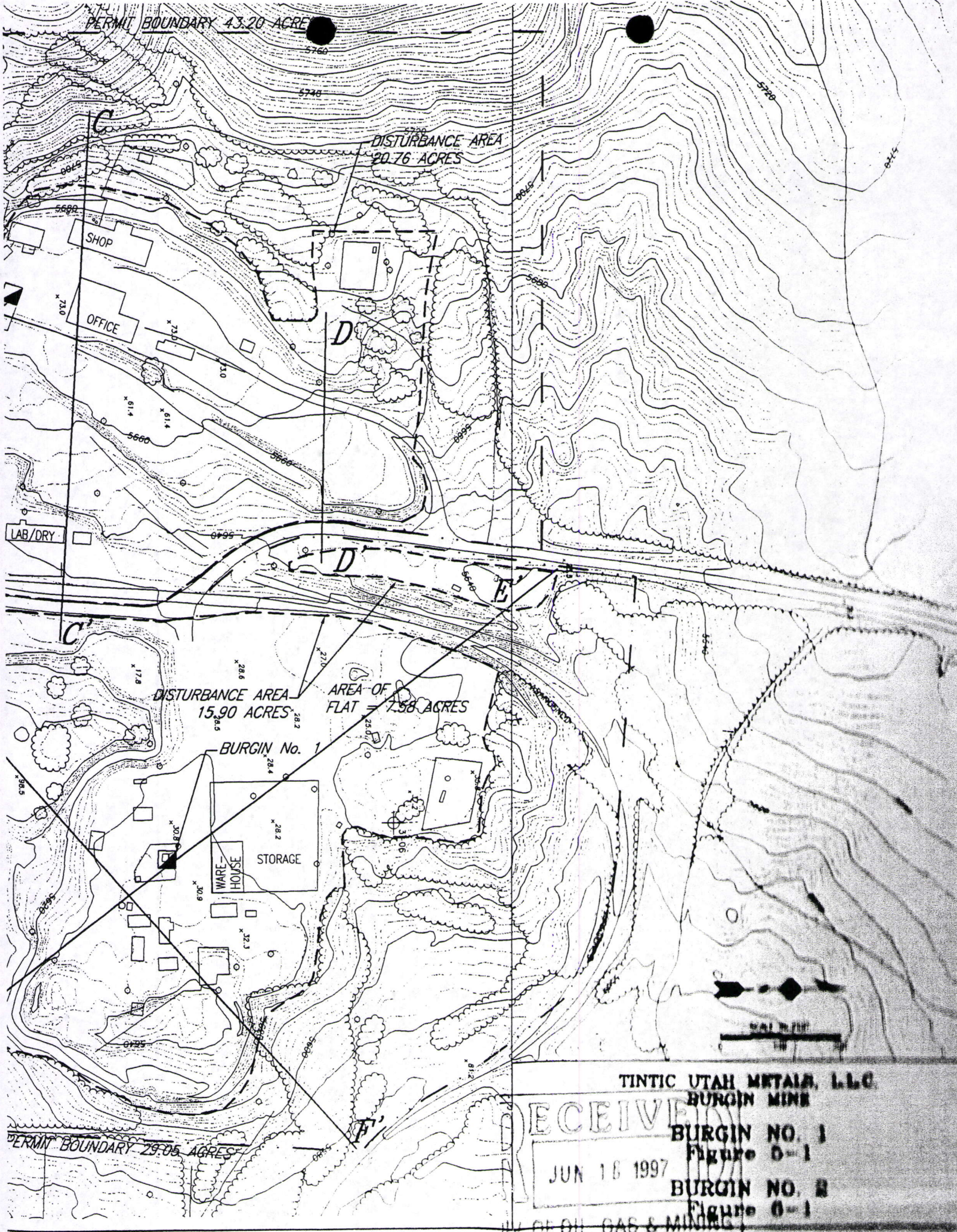
APEX STANDARD NO. 2  
Figure 4-1

BURGIN NO. 3  
Figure 7-1









TINTIC UTAH METALS, LLC  
BURGIN MINE

BURGIN NO. 1  
Figure 0-1

JUN 18 1997

BURGIN NO. 2  
Figure 0-1

U.S. DEPT. OF OIL, GAS & MINING



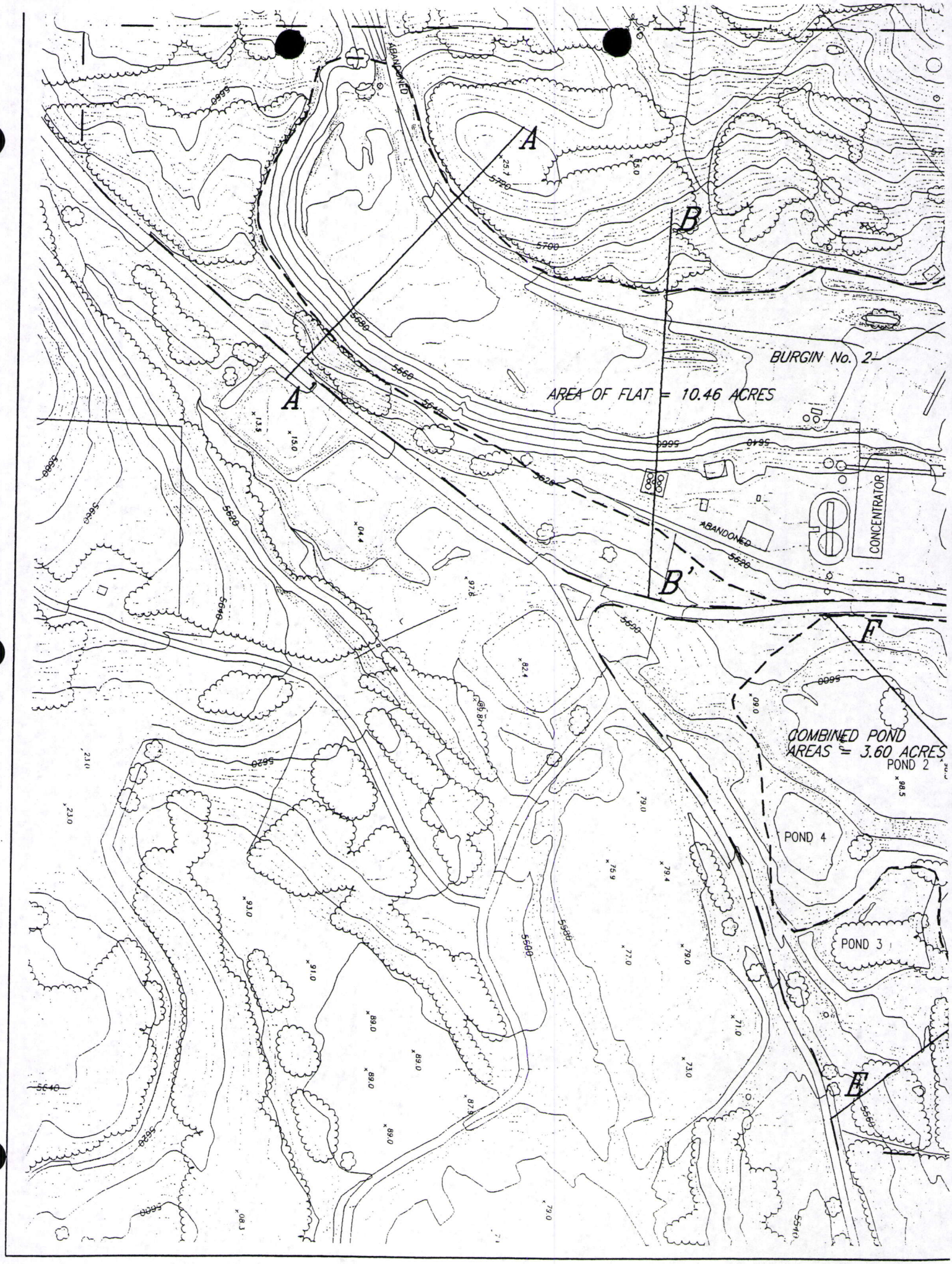
### 5.8.2 Burgin No. 1 Area Closure and Reclamation Cost Estimate

Prepared by:

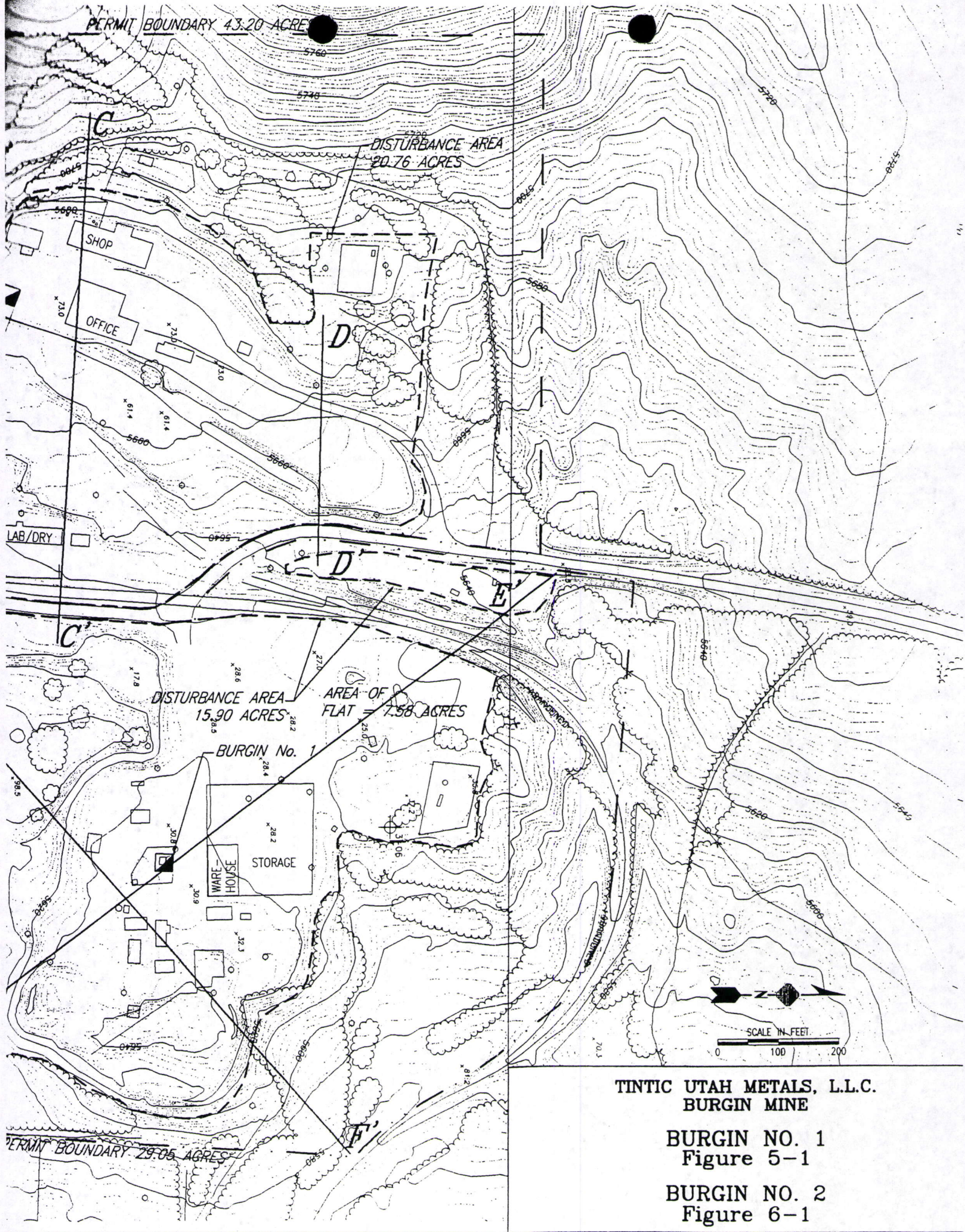
Environmental Management Services Company and Cedar Creek Associates

| Description  | Units     | Cost / Unit | Item Cost   |
|--|-----------|-------------|-------------|
| 1.) Structure, Equipment and Headframe Removal; and Shaft Closing: | lump sum  | \$42,680.00 | \$42,680.00 |
| 2.) General Site Cleanup and Trash Removal:                        | 16.0 ac.  | \$40.00     | \$640.00    |
| 3.) Regrade and Rip Access Road:                                   | 0.10 ac.  | \$202.00    | \$20.00     |
| 4.) Final Grading of Level Portion of Pad:                         | 7.5 ac.   | \$60.78     | \$456.00    |
| 5.) Rill and Gully Repair  | 1.0 ac.   | \$301.00    | \$301.00    |
| 6.) Grade Settling Ponds 2 & 4                                     | 3.6 ac.   | \$141.00    | \$508.00    |
| 7.) Additional Pond Sampling                                       | lump sum  | \$625.00    | \$625.00    |
| 8.) Rip Pad Area to be Revegetated:                                | 7.0 ac.   | \$60.78     | \$425.00    |
| 9.) Apply Coarse Limestone:  | 1.0 ac.   | \$360.78    | \$361.00    |
| 10.) Seedbed Prep., Fertilization (Pad & Road):                    | 7.6 acs.  | \$251.00    | \$1,908.00  |
| 11.) Manual Broadcast Seeding (Pad & Road)::                       | 7.6 acs.  | \$215.00    | \$1,634.00  |
| 12.) Seedbed Prep., Fertilization (Ponds):                         | 3.6 ac.   | \$251.00    | \$904.00    |
| 13.) Manual Broadcast Seeding (Ponds)::                            | 3.6 ac.   | \$193.00    | \$697.00    |
| 14.) Hydromulching:  | 11.2 acs. | \$668.00    | \$7,482.00  |
| 15.) Mobilization/Demobilization:                                  | lump sum  | \$2,000.00  | \$2,000.00  |
| Subtotal   |           |             | \$60,641.00 |
| 10% Contingency  |           |             | \$6,064.00  |
| 1997 Total Costs   |           |             | \$66,705.00 |
| 5 yr. Escalation (2.52% per yr.)                                   |           |             | \$8,838.00  |
| Total in Year 2002   |           |             | \$75,543.00 |









TINTIC UTAH METALS, L.L.C.  
BURGIN MINE

BURGIN NO. 1  
Figure 5-1

BURGIN NO. 2  
Figure 6-1



## 6.8.2 Burgin No. 2 Area Closure and Reclamation Cost Estimate

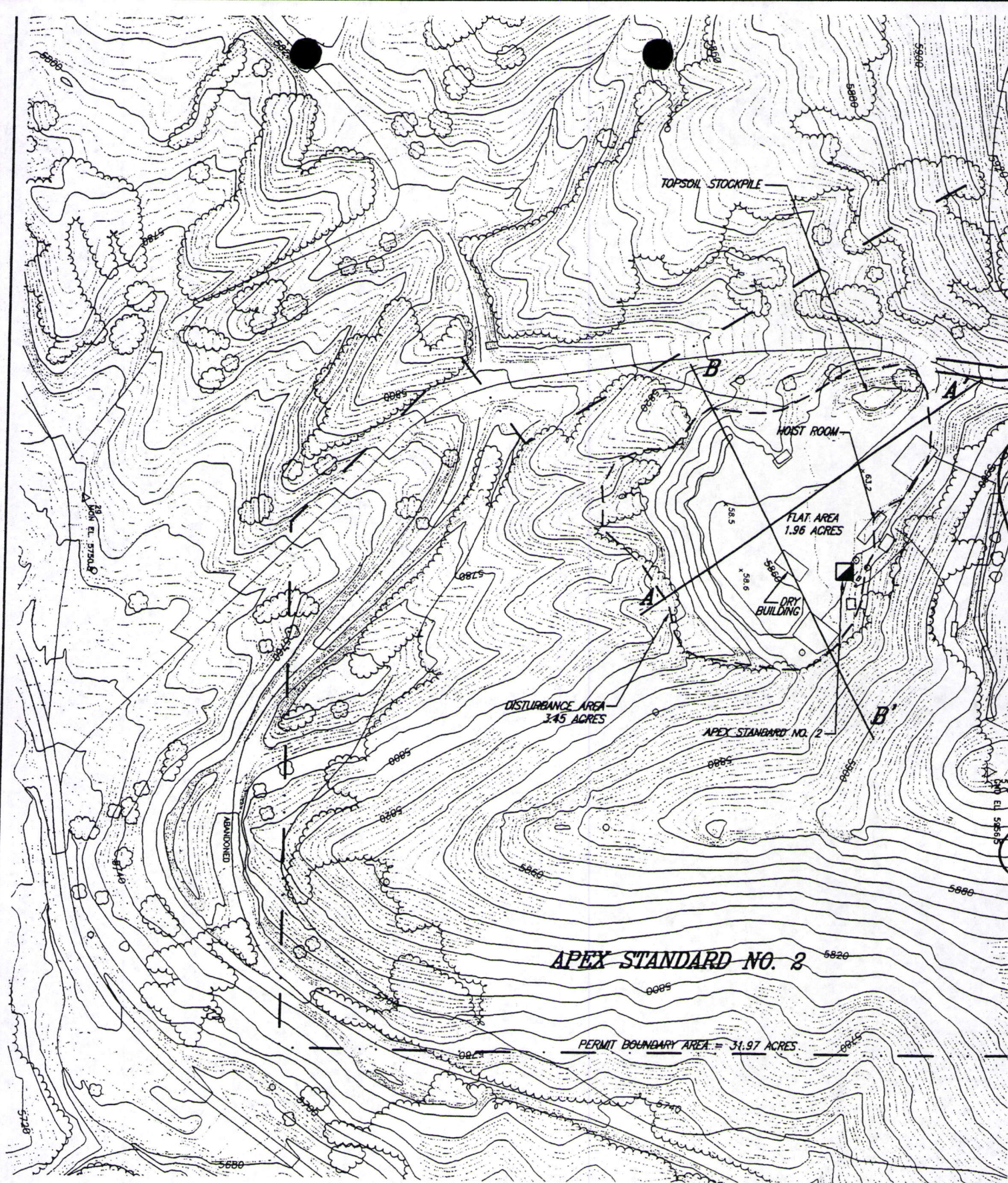
Prepared by:

Environmental Management Services Company and Cedar Creek Associates

### Burgin No. 2 Area Closure and Reclamation Cost Estimate

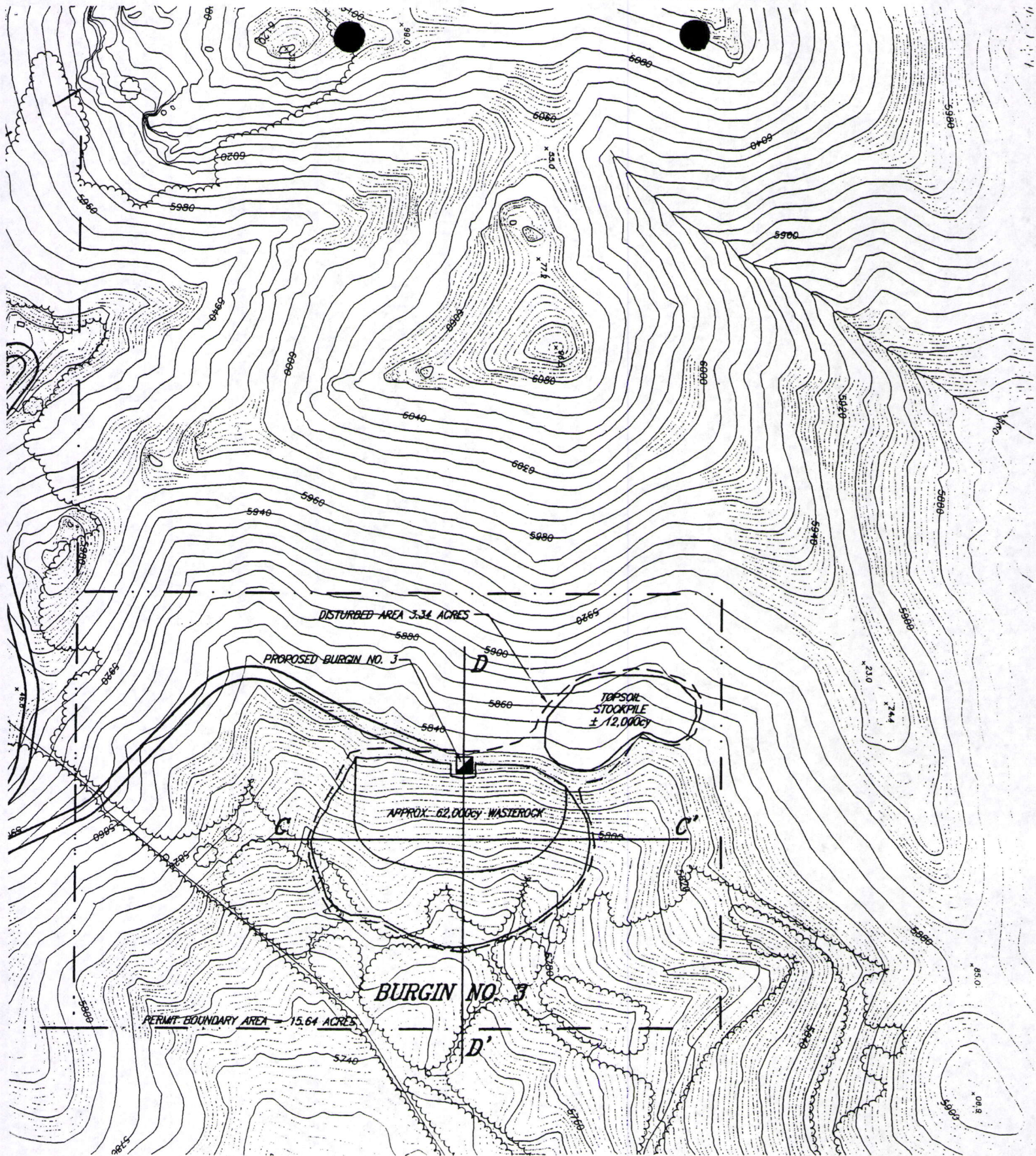
| Description   | Units    | Cost / Unit | Item Cost   |
|---|----------|-------------|-------------|
| 1.) Concentrator, and Equipment Removal; and Shaft Fencing: | lump sum | \$45,520.00 | \$45,520.00 |
| 2.) General Site Cleanup and Trash Removal:                 | 15.0 ac. | \$50.00     | \$750.00    |
| 3.) Regrade and Rip Access Road:                            | 0.1 ac.  | \$202.00    | \$20.00     |
| 4.) Final Grading of Level Portion of Pad:                  | 10.5 ac. | \$60.78     | \$638.00    |
| 5.) Construct Diversion Ditch:                              | 800 ft.  | \$7.00      | \$5,600.00  |
| 6.) Rill and Gully Repair:                                  | 2.0 ac.  | \$301.00    | \$602.00    |
| 7.) Seedbed Prep., Fertilization (Road):                    | 0.1 acs. | \$202.00    | \$20.00     |
| 8.) Manual Broadcast Seeding & Cover (Road):                | 0.1 acs. | \$215.00    | \$22.00     |
| 9.) Hydromulching:  | 0.1 acs. | \$668.00    | \$67.00     |
| 10.) Mobilization/Demobilization:                           | lump sum | \$2,000.00  | \$2,000.00  |
| Subtotal  |          |             | \$55,239.00 |
| 10% Contingency   |          |             | \$5,524.00  |
| 1997 Total Costs  |          |             | \$60,763.00 |
| 5 yr. Escalation (2.52% per yr.)                            |          |             | \$8,051.00  |
| Total in Year 2002  |          |             | \$68,814.00 |





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TINTIC UTAH METALS, L.L.C.  
BURGIN MINE

APEX STANDARD NO. 2  
Figure 4-1

BURGIN NO. 3  
Figure 7-1



### 7.9.2 Burgin No. 3 Shaft Area Closure and Reclamation Cost Estimate

Prepared by:

Environmental Management Services Company and Cedar Creek Associates

#### Basis of Estimate:

- Acreage Summary:

|                   |                  |
|-------------------|------------------|
| Permit Area       | 15.6 acres       |
| Disturbance Area  | 3.4 acres        |
| Add Access Road   | <u>1.2 acres</u> |
| Total Disturbance | 4.6 acres        |

- Shaft will be left open and enclosed by chain link fence
- Access road will be permanently left in place
- All structures, buildings and equipment to be removed
- Entire dump area (level laydown area and dump faces) to be Graded, Topsoiled and Seeded
- All Seeded Areas to be Hydromulched

#### Burgin No. 3 Closure and Reclamation Cost Estimate

| Description  | Units      | Cost / Unit | Item Cost   |
|--|------------|-------------|-------------|
| 1.) Structure, Equipment and Headframe Removal; and Shaft Fencing: | lump sum   | \$41,828.00 | \$41,828.00 |
| 2.) General Site Cleanup and Trash Removal:                        | 5.0 ac.    | \$40.00     | \$200.00    |
| 3.) Dump Face Slope Reduction:                                     | 1.5 ac.    | \$282.00    | \$423.00    |
| 4.) Final Grading of Level Portion of Pad:                         | 2.0 ac.    | \$60.78     | \$122.00    |
| 5.) Rip Pad Area to be Revegetated:                                | 2.0 ac.    | \$60.78     | \$122.00    |
| 6.) Soil reapplication:  | 8,250 yds. | \$1.00      | \$8,250.00  |
| 7.) Dozer Track Outslope   | 1.5 acs.   | \$121.56    | \$182.00    |
| 8.) Mechanical Seedbed Prep., Fertilization:                       | 3.4 acs.   | \$210.00    | \$714.00    |
| 9.) Mechanized Broadcast Seeding:                                  | 3.4 acs.   | \$189.00    | \$643.00    |
| 10.) Hydromulching:  | 3.4 acs.   | \$668.00    | \$2,271.00  |
| 11.) Mobilization/Demobilization:                                  | lump sum   | \$2,000.00  | \$2,000.00  |
| Subtotal   |            |             | \$56,755.00 |
| 10% Contingency  |            |             | \$5,675.00  |
| 1997 Total Costs   |            |             | \$62,430.00 |
| 5 yr. Escalation (2.52% per yr.)                                   |            |             | \$8,272.00  |
| Total in Year 2002   |            |             | \$70,702.00 |

## 8.8.2 Mine Dewatering/Disposal System Closure and Reclamation Cost Estimate

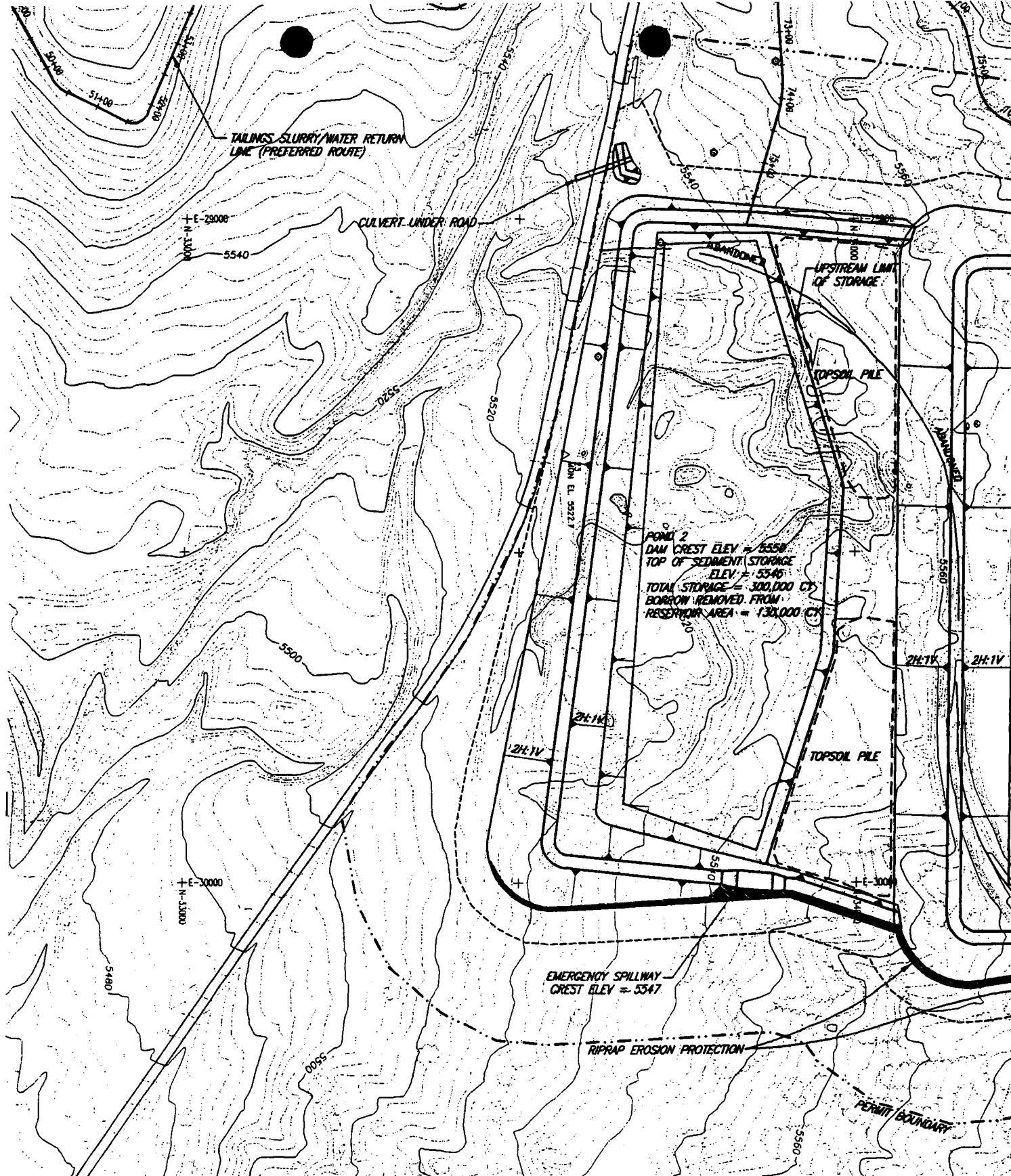
Prepared by:

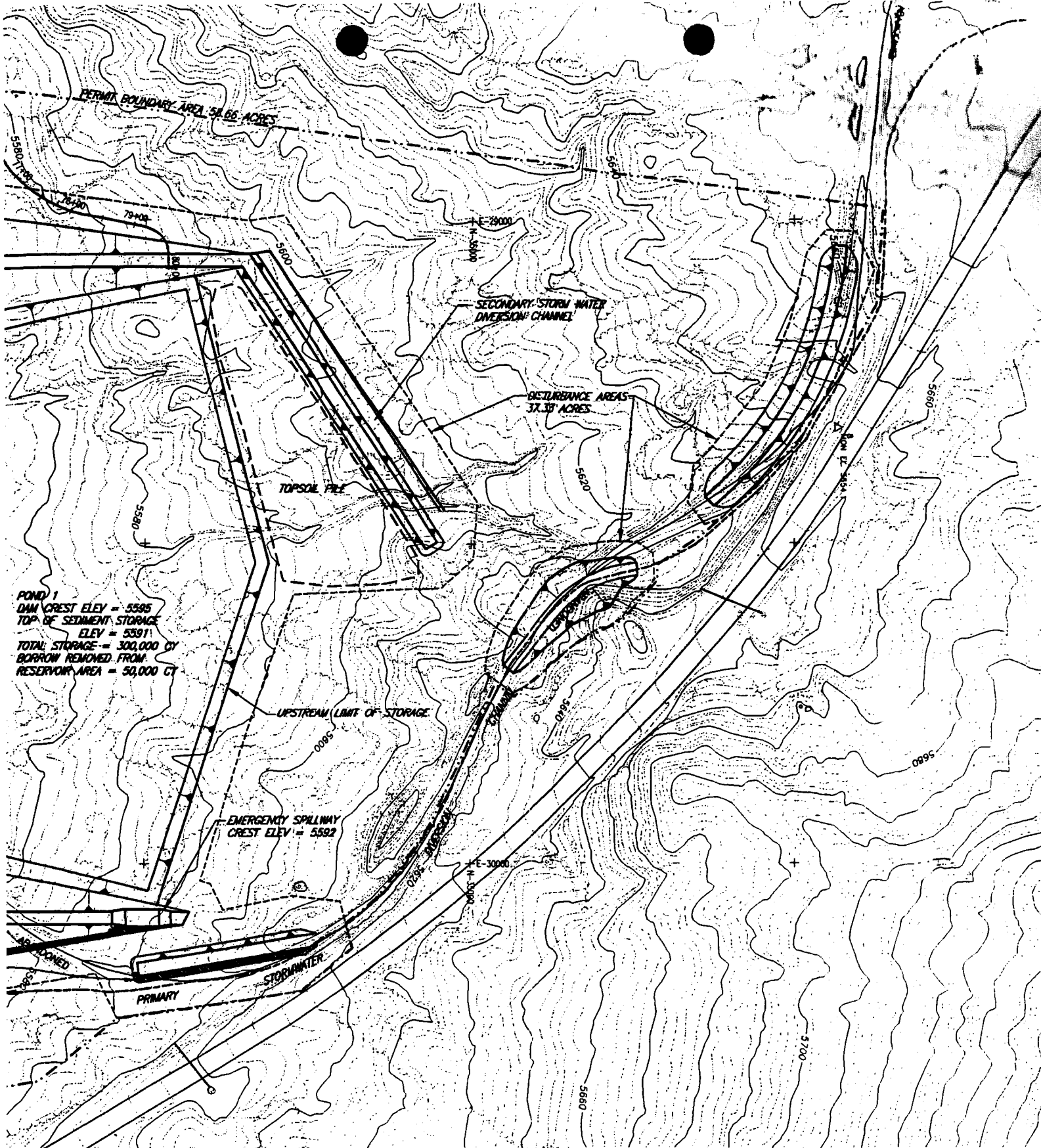
Environmental Management Services Company and Cedar Creek Associates

| Description                                   | Units      | Cost / Unit | Item Cost          |
|---|------------|-------------|--------------------|
| 1.) Pipeline Scrapping, Equipment Removal:    | lump sum   | \$3,300.00  | \$3,300.00         |
| 2.) Borehole and Observation Well Plugging:   | 11         | \$660.00    | \$7,260.00         |
| 3.) General Site Cleanup and Trash Removal:   | 6.0 ac.    | \$40.00     | \$240.00           |
| 4.) General Grading: Rip and Regrade Access:  | 6.0 ac.    | \$122.00    | \$732.00           |
| 5.) Final Grading, Borehole & Monitor sites:  | 1.0 ac.    | \$60.78     | \$61.00            |
| 6.) Seedbed Material Sampling:                | 5 sites    | \$61.00     | \$305.00           |
| 7.) Soil reapplication:                       | 1,613 yds. | \$1.00      | \$1,613.00         |
| 8.) Manual Surface Roughening:                | 4 acs.     | \$160.00    | \$640.00           |
| 9.) Manual Broadcast Fertilization:           | 4 acs.     | \$76.00     | \$304.00           |
| 10.) Manual Broadcast Seeding:                | 4 acs.     | \$41.00     | \$164.00           |
| 11.) Seed Mixture Cost:                       | 4 acs.     | \$134.00    | \$536.00           |
| 12.) Hydromulching:                           | 4 acs.     | \$668.00    | \$2,672.00         |
| 13.) Supervision:                             | lump sum   | \$1,200.00  | \$1,200.00         |
| 13.) Mobilization/Demobilization/Supervision: | lump sum   | \$2,000.00  | \$2,000.00         |
| <b>Subtotal</b>                               |            |             | <b>\$21,027.00</b> |
| 10% Contingency                               |            |             | <b>\$2,103.00</b>  |
| <b>1997 Total Costs</b>                       |            |             | <b>\$23,130.00</b> |
| 5 yr. Escalation (2.52% per yr.)              |            |             | <b>\$3,065.00</b>  |
| <b>Total in Year 2002</b>                     |            |             | <b>\$26,195.00</b> |









TINTIC UTAH METALS, L.L.C.  
BURGIN MINE  
TAILINGS DISPOSAL FACILITY  
TAILINGS IMPOUNDMENT PLAN

Figure 9-1



## 10.8.2 Zuma Area Closure and Reclamation Cost Estimate

Prepared by:

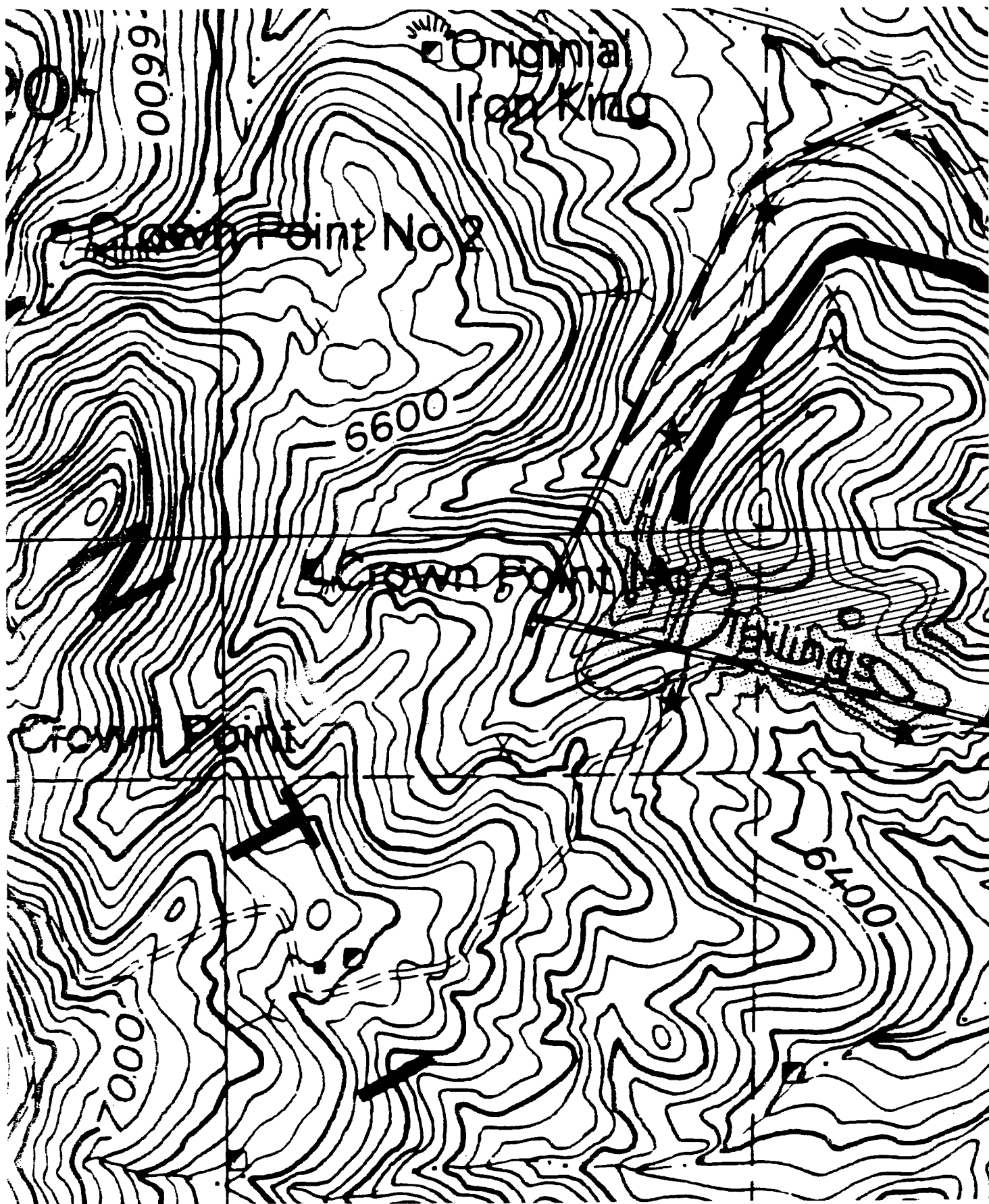
Environmental Management Services Company and Cedar Creek Associates

### Basis of Estimate:

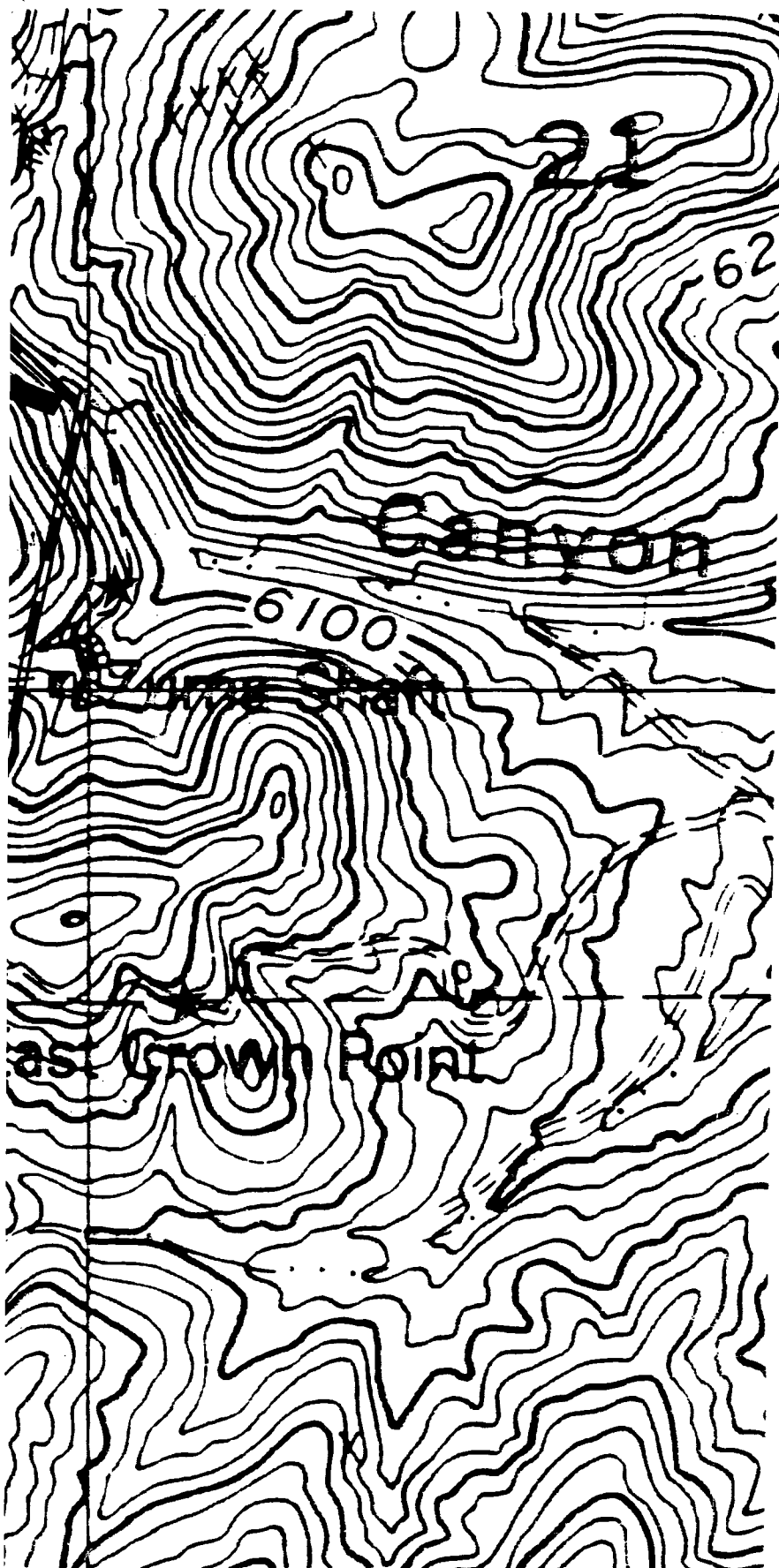
- Disturbed acreage:
  - Dumps and Pit Floor 1.9 acres
  - New (1992) Access Road 1.2 acres
  - Benches 0.2 acres
  - Total 3.3 acres
- Pit Floor and Dumps to be Ripped, Graded and Seeded
- Pit Benches to be Seeded
- New Access Road to be Ripped, Graded and Seeded
- Drainage Channel to be reestablished and Rip Rapped
- All Seeded Areas to be Hydromulched





### Zuma Area Closure and Reclamation Cost Estimate

| Description                                 | Units    | Cost / Unit | Item Cost   |
|---|----------|-------------|-------------|
| 1.) General Site Cleanup and Trash Removal: | 4.0 ac.  | \$40.00     | \$160.00    |
| 2.) Regrade and Rip Access Road:            | 1.2 ac.  | \$202.00    | \$242.00    |
| 3.) Rip and Grade Pit Floor and Dumps       | 1.9 ac.  | \$343.00    | \$652.00    |
| 4.) Grade Pit Benches                       | 0.2 ac.  | \$343.00    | \$69.00     |
| 5.) Final Grading of Area to be Seeded:     | 3.3 ac.  | \$60.78     | \$201.00    |
| 6.) Reestablish Drainage Channel:           | 0.2 ac.  | \$282.00    | \$56.00     |
| 7.) Placement of Rip Rap                    | 230 feet | \$5.00      | \$1,150.00  |
| 8.) Seedbed Prep., Fertilization:           | 3.3 acs. | \$236.00    | \$779.00    |
| 9.) Seeding:                                | 3.3 acs. | \$215.00    | \$710.00    |
| 10.) Hydromulching:                         | 3.3 acs. | \$668.00    | \$2,204.00  |
| 11.) Mobilization/Demobilization:           | lump sum | \$2,000.00  | \$2,000.00  |
| Subtotal                                    |          |             | \$8,223.00  |
| 10% Contingency                             |          |             | \$822.00    |
| 1997 Total Costs                            |          |             | \$9,045.00  |
| 5 yr. Escalation (2.52% per yr.)            |          |             | \$1,198.00  |
| Total in Year 2002                          |          |             | \$10,243.00 |







-  = PERMIT BOUNDARY (75 Acs.)
-  = EXISTING ACCESS
-  = NEW ACCESS (1992)
-  = DISTURBED AREA (7 Acs.)

TINTIC UTAH METALS L.L.C.

BURGIN MINE

ZUMA AREA

Figure 10.1

1" = 500'

Taken from Eureka Quadrangle

B-7 Correspondence Regarding Bond Reduction  
1998 to 2001

- April 17, 1998 letter from EMS
- March 19, 2001 Memorandum  
Approving Surety
- March 1, 2001 Certificate of Deposit  
Surety Agreement

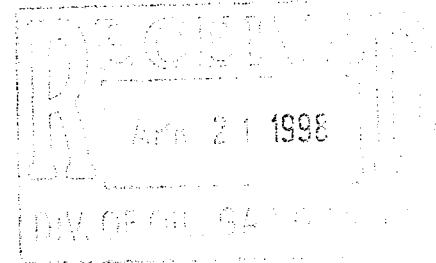




M/049/009  
Environmental Management Services Company  
2301 Research Boulevard, Suite 103  
Fort Collins, CO 80526  
(970) 482-3100 • Fax: (970) 482-9619

April 17, 1998

State of Utah  
Division of Oil, Gas and Mining  
Minerals Reclamation Program  
1594 West North Temple  
Suite 1210  
Salt Lake City, UT 84114-5310  
Attn: D. Wayne Hedberg



Re: Interim Bond Reduction Request, Large Operation M/049/009

Dear Wayne;

This letter is written to request an interim bond reduction in the amount of \$348,000 for Large Mining Operation M/049/009. Sunshine Mining and Refining Company currently holds the permit and efforts are well underway to affect a transfer to Tintic Utah Metals, LLC. Due to the permit's anniversary date of late April and the time required to resolve outstanding matters regarding the transfer documentation, an interim bond reduction is being requested with this writing.

I have prepared two tables to assist in understanding the 1984 permit (referred to herein as SMC 1984) and the interim bond reduction request. Table 1 lists the SMC 1984 acreage by area regarding Permit acres; Disturbed acres; and Bonded acres.

Listed on Table 2 is calculation of the SMC 1984 bond by area. Listed are the bond calculations, the addition of a 10% contingency and the effect of projecting the reclamation costs forward to 1995 by using the 6.78% annual inflation factor then current. Running the numbers results in the 1984 reclamation estimate of \$358,170 inflating to \$737,000. Also listed on the table is the calculated 1995 estimate using actual Means numbers for the 1985 through 1995 period. The numbers provided by Tony Gallegos include: 1985-2.90%; 1986-2.10%; 1987-1.95%; 1988-1.81%; 1989- 1.77%; 1990-0.77%; 1991-1.27%; 1992-2.21%; 1993-2.61%; 1994-3.21%; and 1995-1.93%. The calculation by area results in a 1995 reclamation estimate of \$453,873. The difference between the two 1995 numbers, \$283,133, is the result of lesser inflation.

The SMC 1984 estimate was then adjusted to 1997 dollars. The calculated 1995 numbers from Table 2 (\$453,873) were indexed to 1997 (\$487,967) by utilizing the Means numbers for 1996-2.42% and 1997-2.52%.

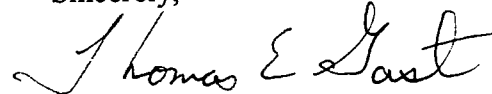
Subtracted from the 1997 SMC indexed amounts totaling \$487,967 were the reclamation amounts for the Trixie Mine (\$54,622), the Hunter shaft (\$70,400) and the tailings ponds.

The Trixie was removed because reclamation obligation for this site was transferred from the permit in 1995 to South Standard Mining upon their posting a cash bond. Regarding the Trixie matter, it should be noted that the existing bond was reduced by \$39,800 (from \$737,000 to \$698,000) in March 1996 subsequent to South Standard posting a cash bond. In fact, a total of \$84,473 should have been released. The \$84,473 represents the 1984 reclamation estimate of \$41,052 projected to 1995 dollars (see Table 2).

The Hunter shaft and tailings ponds have never been constructed or operated. Tintic Utah Metals LLC is proposing a different location for these facilities which is fully described in the 1997 application and bonding for these will be accomplished with the permit transfer. There are no immediate plans to construct these facilities and it is understood that no physical disturbance is allowed until the reclamation plans are approved, the permit is transferred and satisfactory bond is provided.

The above calculations result in an interim calculated bond amount of \$305,410. The Division may feel more comfortable during the interim by adding an inflation / contingency sum of \$44,590 to the above figure. This would result in an interim bond amount of \$350,000 or a reduction of \$348,000 from the current bonded amount of \$698,000. Thank you very much for considering this request. Please feel free to contact me with any questions or in the event that we may provide additional information.

Sincerely,



Thomas E. Gast  
Principal

Encl.

Cc: Allan Young, Sunshine Mining and Refining Company  
Michael Owens, Sunshine Mining and Refining Company  
Paul Spor, Tintic Utah Metals LLC  
Leonard Weitz, Chief Consolidated Mining Company



**Table 1 - Burgin Bond Analysis, M/049/009**  
**Prepared April 16, 1998**  
**Environmental Management Services Company**

| AREA                  | Permit Acres |  | Disturbed Acres          |  | Bonded Acres |  |
|-----------------------|--------------|--|--------------------------|--|--------------|--|
|                       | SMC 1984     |  | SMC 1984                 |  | SMC 1984     |  |
| Apex                  | 2.8          |  | 2.0                      |  | 2.8          |  |
| Trixie                | 11.4         |  | Permit Transfer Complete |  |              |  |
| Hunter/Burgin # 3     | 10.0         |  | 0.0                      |  | 5.7          |  |
| Burgin #1, #2 & Mill: |              |  |                          |  |              |  |
| Burgin #1             |              |  |                          |  |              |  |
| Burgin #2             |              |  |                          |  |              |  |
| Ponds 2-4             | 2.2          |  | 2.2                      |  | 0.0          |  |
| Burgin 1 & 2, Mill    | 57.9         |  | 29.4                     |  | 29.4         |  |
| Burgin Complex Tot.   | 60.1         |  | 31.6                     |  | 29.4         |  |
| Tailings              | 41.4         |  | 0.0                      |  | 28.7         |  |
| Settling Pond         | 180.0        |  | 26.0                     |  | 26.0         |  |
| Water Disposal        | 0.0          |  | 0.0                      |  | 0.0          |  |
| Zuma                  | 7.0          |  | 7.0                      |  | 7.0          |  |
| <b>Total Acres</b>    | <b>312.7</b> |  | <b>66.6</b>              |  | <b>99.6</b>  |  |

**Table 2 - Burgin Bond Inflation Comparison, Existing Bond M/049/009**  
**Prepared April 16, 1998**  
**Environmental Management Services Company**

| Sunshine Mining Company 1984 Estimate |             |           |            |           |             |             |             |
|---------------------------------------|-------------|-----------|------------|-----------|-------------|-------------|-------------|
| AREA                                  | SMC \$ 1984 | 10% Cont. | Total 1984 | 1995 \$   | Means 95 \$ | Means 97 \$ | Difference  |
| Factor                                | 100%        | 10%       | Sum        | 2.0577    | 1.2672      | 1.05        |             |
| Apex                                  | \$41,440    | \$4,144   | \$45,584   | \$93,798  | \$57,764    | \$60,652    | (\$33,146)  |
| Trixie                                | \$37,320    | \$3,732   | \$41,052   | \$84,473  | \$52,021    | \$54,622    | (\$29,851)  |
| Hunter/Bur. # 3                       | \$48,100    | \$4,810   | \$52,910   | \$108,873 | \$67,048    | \$70,400    | (\$38,473)  |
| Burgin #1, #2 & Mill:                 |             |           |            |           |             |             |             |
| Burgin #1                             |             |           |            |           |             |             | \$0         |
| Burgin #2                             |             |           |            |           |             |             | \$0         |
| Burgin Complex Tot.                   | \$129,600   | \$12,960  | \$142,560  | \$293,346 | \$180,652   | \$189,685   | (\$103,661) |
| Tailings                              | \$39,310    | \$3,931   | \$43,241   | \$88,977  | \$54,795    | \$57,535    | (\$31,442)  |
| Settling Pond                         | \$30,750    | \$3,075   | \$33,825   | \$69,602  | \$42,863    | \$45,006    | (\$24,596)  |
| Water Disposal                        | \$0         | \$0       | \$0        |           |             | \$0         | \$0         |
| Zuma                                  | \$0         | \$0       | \$0        |           |             | \$11,400    | \$11,400    |
| Sub-Total                             | \$326,520   | \$32,652  | \$359,172  | \$739,068 | \$455,143   | \$489,300   | (\$249,768) |
| Adjustment                            | \$0         | \$0       | (\$1,002)  | (\$2,062) | (\$1,270)   | (\$1,333)   | \$729       |
| Net                                   | \$326,520   | \$32,652  | \$358,170  | \$737,006 | \$453,873   | \$487,967   | (\$249,040) |
| less:                                 |             |           |            |           |             |             |             |
| Trixie                                |             |           |            |           |             | \$54,622    | (\$54,622)  |
| Hunter/Bur. # 3                       |             |           |            |           |             | \$70,400    | (\$70,400)  |
| Tailings                              |             |           |            |           |             | \$57,535    | (\$57,535)  |
| Net/Net                               |             |           |            |           |             | \$305,410   | (\$431,597) |



State of Utah  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt  
Governor

Kathleen Clarke  
Executive Director

Lowell P. Braxton  
Division Director

1594 West North Temple, Suite 1210

PO Box 145801

Salt Lake City, Utah 84114-5801

801-538-5340

801-359-3940 (Fax)

801-538-7223 (TDD)

March 19, 2001

TO: Lowell P. Braxton, Director *LPD*

THRU: Mary Ann Wright, Associate Director *MAW*

THRU: D. Wayne Hedberg, Permit Supervisor *DWH by JB*

FROM: Tom Munson, Senior Reclamation Specialist *TM*

RE: Request for Approval of Form and Amount of Replacement Reclamation Surety, Tintic Utah Metals, Burgin Mine, M/049/009, Utah County, Utah

On July 2, 1998, the Division received a surety bond from Tintic Utah Metals, LLC (Tintic) for the Burgin mine, issued by Frontier Insurance Company in the amount of \$350,000. At that time, the mine was being transferred from Sunshine Mining Company to Tintic Utah Metals. Tintic accepted responsibilities for Sunshine's permit and all associated reclamation as provided by the Act, by letter received July 20, 1998. Tintic requested that the Division release three (3) prelaw areas included in the original permit, that had not been impacted to date. Tintic had no intention of disturbing those areas and requested that the bond amount be adjusted accordingly. The Division released Sunshine's bond for this project at that time. Tintic's surety was listed on our "interim" bonding list while awaiting a revised LMO that was forthcoming.

We were requested by management to finalize all outstanding "interim" sureties. Therefore, we received a replacement Reclamation Contract from Tintic. The Reclamation Contract and surety bond were sent to our legal counsel for review before finalizing. In June, 2000, our legal counsel informed us that Frontier Insurance Company's rating had dropped from an A+ rating to C++ and we should not accept the Frontier surety. We advised Tintic of this situation and since that time they have diligently pursued finding a replacement surety – with no success.

Therefore, Tintic has now provided the Division with a new Reclamation Contract and they have put in place two Certificates of Deposit (CD) #~~94455555~~ and #~~94455555~~, each in the amount of \$175,000 issued by Zions Bank – Payson Branch. The CD's are furnished by Chief Consolidated Mining Company (the parent company of Tintic Utah Metals). Our legal counsel advised us that both Chief Consolidated Mining Company and Tintic Utah Metals, LLC must be listed on the Reclamation Contract and on the CD's. We have prepared a CD cover letter to be sent to Zions Bank, which requires your signature. The Division's legal counsel has reviewed the documents for accuracy.

If you are in agreement with the acceptance of the Reclamation Contract and this form of surety, please sign and date the documents. We will then forward the signed CD cover letter to Zions Bank who will then issue the original CD's to our office. Zions Bank will also be sending signature cards for your signature to be affixed. Thank you for your time and consideration of this request.



# State of Utah

DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt  
Governor

Kathleen Clarke  
Executive Director

Lowell P. Braxton  
Division Director

1594 West North Temple, Suite 1210

PO Box 145801

Salt Lake City, Utah 84114-5801

801-538-5340

801-359-3940 (Fax)

801-538-7223 (TDD)

March 1, 2001

Zions Bank  
Payson Branch  
80 East 100 North  
Payson, Utah 84651

Attention: Rex Wilkerson, Branch Manager

Re: Reclamation Surety, Certificate of Deposit for Chief Consolidated Mining Company and Tintic Utah Metals, LLC, Burgin Mine Site, M/049/009, Utah County, Utah  
Certificates of Deposit no. ~~0000000000~~ and ~~0000000000~~ Principal Amount \$350,000.

This letter describes the mutually agreed upon instructions of the below signed parties to Zions Bank (Bank), regarding the control, redemption, and release of Bank's above-described certificates of deposit (CD), which is being used as a surety to guarantee the availability of reclamation funds for the Apex/Burgin mine site, Utah County, Utah (Mine Site). It is the intention of the parties that the CD be utilized as surety to guarantee that \$350,000 in reclamation funds will be available to the State of Utah, Division of Oil, Gas & Mining (Division) upon demand in the event that the operator(s) of the Mine Site are unable or unwilling to complete reclamation of the mine site in compliance with state law and regulations (Title 40-8-14(7), and Rules R647-4-114 & R647-5-101).

### Ownership and Renewal:

Ownership of the CD is retained by Chief Consolidated Mining Company an Arizona corporation, and Tintic Utah Metals, LLC, a Colorado corporation (collectively "Owners"), but it is held by Bank for the benefit of the State of Utah, Division of Oil, Gas & Mining and is subject to the terms and conditions described in this agreement. The CD shall automatically renew indefinitely until either redeemed or released by the Director of the Division.

### Redemption:

The CD may only be redeemed (i.e., called on demand), pursuant to the written instruction or demand of the Director of the Utah Division of Oil, Gas & Mining to the Bank. Upon the instruction and demand of



the Director, the full initial amount of the CD shall be transferred to the State of Utah, Division of Oil Gas and Mining. Owners agree and irrevocably instruct Bank that neither the Owner(s), nor any other person claiming an ownership interest in the CD which is derived from the Owners, shall have the authority to prevent the Bank from carrying out the Director's instruction to redeem the CD. Upon redemption, any accrued interest in excess of the initial amount of the CD shall be transferred to Owners' control, or if Owners do not instruct the Bank, the accrued interest shall be reinvested in the CD. If a signature card is prepared, it shall be drafted consistent with the requirement that only the Director of the Division may redeem the CD.

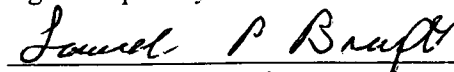
Release:

The bank shall release the CD only upon the written instruction of the Director of the Division to the Bank. Upon release, the terms and conditions of this agreement are no longer in effect, and the unconditioned control of the CD shall be returned to the Owners, or their legal successors-in-interest.

Accrued Interest:

Prior to release or redemption, all interest which accrues by the CD shall be 1) dispersed quarterly to the Owner(s) as the Owner(s) may instruct the Bank, or 2) shall be reinvested in the CD until such time the Owner(s) may instruct the Bank where to transfer such interest. In no event shall the Bank transfer any amount from the CD which would cause the redemption amount of the CD to be less than the initial amount, \$350,000. All tax liabilities for accrued interest shall remain the responsibility of the Owners. Bank will not be held liable for any dispute between the parties.

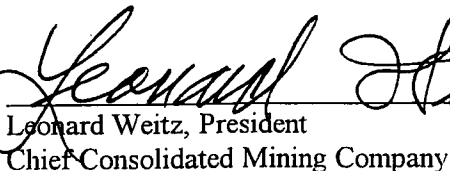
Agreed Upon By:

  
Lowell P. Braxton, Director

Utah Division of Oil, Gas & Mining

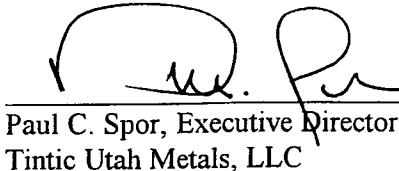
Tax ID Number: ~~XXXXXXXXXX~~

Date: 3/20/01

  
Leonard Weitz, President  
Chief Consolidated Mining Company

Tax ID Number: ~~XXXXXXXXXX~~

Date: MARCH 13, 2001

  
Paul C. Spor, Executive Director  
Tintic Utah Metals, LLC

Tax ID Number: ~~XXXXXXXXXX~~

Date: March 12, 2001

B-8

Utah DEQ Letter regarding Injection Well  
Application



State of Utah

DEPARTMENT OF ENVIRONMENTAL QUALITY  
DIVISION OF WATER QUALITY

Michael O. Leavitt  
Governor

Dianne R. Nielson, Ph.D.  
Executive Director

Don A. Ostler, P.E.  
Director

288 North 1460 West  
P.O. Box 144870  
Salt Lake City, Utah 84114-4870  
(801) 538-6146  
(801) 538-6016 Fax  
(801) 536-4414 T.D.D.  
[www.deq.state.ut.us Web](http://www.deq.state.ut.us/Web)

Water Quality Board  
Leroy H. Wullstein, Ph.D.  
Chairman

R. Rex Ausburn, P.E.  
Vice Chairman

Robert G. Adams  
Nan Bunker

John R. Cushing, Mayor

Dianne R. Nielson, Ph.D.

K.C. Shaw, P.E.

Ronald C. Sims, Ph.D.

Douglas E. Thompson, Mayor

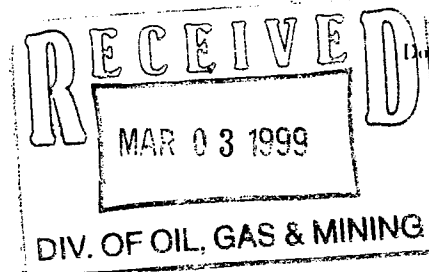
J. Ann Wechsler

William R. Williams

Don A. Ostler, P.E.  
Executive Secretary

February 17, 1999

Paul C. Spor, Executive Director  
Tintic Utah Metals LLC  
15988 Silver Pass Road  
P.O. Box 51  
Eureka, Utah 84628



Dear Mr. Spor:

Subject: Document Received from Tintic Utah Metals Dated July 7, 1998 [Addendum - UIC Area Permit Application for Burgin Mine (UIC Permit No. UTU500003)]; Letter Received from Tintic Utah Metals Dated January 19, 1999.

Subsequent to our October 21, 1998 partial response to your submittal noted above, we have completed our review of the submittal and find that some of the information requested in our June 6, 1997 letter to Keith Droste was not provided or was not substantiated. We have three major concerns regarding potential (1) induced increases in flow rates of brackish geothermal waters into the regional aquifer and to springs discharging to Utah Lake, (2) effects of injectate mounding on the regional aquifer and alluvial aquifers in Goshen Valley and Cedar Valley, and (3) creation of new springs.

Quite frankly, we believe that addressing these technical issues adequately may not be possible due to geohydrologic uncertainties and conclusions that would, by necessity, have to be drawn from interpretation and extrapolation of relatively limited data. We would suggest that your time and resources may be better utilized in pursuing alternatives such as treatment and beneficial use of the mine water. We will not be able to proceed with the permit process until either technical data is provided as noted below which eliminates these concerns or, if this is not possible, a monitoring plan is submitted which adequately addresses these concerns and specifies 1) potential effects/sites to be monitored, 2) an early warning system, and 3) corrective action to be taken if needed. Adverse results from the early warning system may require corrective action such as modification or termination of injection activities. Obviously, this could be an expensive and high risk option for the company. In view of the above, we would like to arrange a meeting with you to discuss these issues and options. We are providing the following comments to outline the technical and other information that would be needed to address the issues stated above.



Needed Technical Data:

1. Please evaluate what effects the injectate, under maximum anticipated hydraulic head(s) at each proposed injection site, may have on the regional aquifer, alluvial aquifers in Cedar Valley and Goshen Valley, springs, wells, and Utah Lake. Include an evaluation of the potential for the creation of new springs. Evaluations must include the potential effects due to flow along faults and fractures as well as flow across fault planes. Possible widening of solution channels due to the increased injectate temperature must also be considered. If effects are anticipated, include qualitative as well as quantitative considerations, especially total dissolved solids (TDS) and heavy metals. See the enclosure accompanying our June 6, 1997 letter for specific analytes.

Specifically include an evaluation of the potential for an increase in flow rates to existing geothermal springs around and in Utah Lake. Increases in the flow rates of these high TDS geothermal springs is a concern, as the lake is already near the 1200 mg/l irrigation standard for TDS.

Your submittal indicates that the subterranean hot springs supplying the East Tintic geothermal zone flow only a few hundred gallons per minute (gpm), yet Kennecott pumped 8,500 - 9,800 gpm for eight years (about 120,000 acre feet) in their mine-dewatering efforts without an apparent decrease in water temperature or total dissolved solids (TDS). Please evaluate the possibility that dewatering the mine at up to 18,000 gpm could induce an increase in the flow rate of subterranean geothermal water upwelling in the area. This is a concern because an increase in the volume of low quality geothermal water flowing into the regional aquifer, transported thousands of feet and "mounded" in a new location, could have detrimental effects on that aquifer and other hydrologic systems hydraulically downgradient (i.e., Cedar Valley, Goshen Valley, Utah Lake, etc.). If an increase in the flow rate is deemed likely, please discuss what effects the injection "mounding" of such an increase would likely have on the specific hydrologic regimes noted above.

Utah Dept. of Natural Resources Technical Publication No. 16 (1967) indicates that bedrock ground water from the East Tintic Mountains moves into the valley fill in the southern end of Cedar Valley. Since your project area is adjacent to the southern end of Cedar Valley, and the water table elevation in that part of the valley is about 400 feet below the proposed maximum mound height (elevation 5065 feet), please evaluate the effect of the proposed mound of geothermal water on the quality of ground water in Cedar Valley.

Please also provide an evaluation of the potential for injection mound water to migrate westward past the 4800 foot elevation of the regional ground water divide.

We note that your latest submittal stated that "there is no potential for impacts on alluvial aquifers including wells and springs in Goshen Valley", and that "There is no potential for creating new thermal springs." We feel that some available data was overlooked which would seem to indicate otherwise regarding Goshen Valley, with much of this data since provided to you by this office. Your submittal provided little discussion as to how the "new thermal springs" specific conclusion was reached. Distance drawdown estimates were used to indicate that zero drawdown and mounding would occur at Utah Lake, with no indication of the specific methodology or data used and no discussion of possible increases in flow rates to geothermal springs in and around Utah Lake.

Some of the possibly overlooked data includes information from the following eight wells and the presence of the Range Front Fault which indicate a potential for geothermal water to impact alluvial aquifers and wells in Goshen Valley. Three wells in northern Goshen Valley which are completed in paleozoic rocks and may possibly be affected by changes to the geothermal system are (C-8-1) 16cbb-1, (C-8-1) 29bdc-1, and (D-8-1) 20cdh-2. Two thermal wells located approximately one and ten miles northwest of the town of Goshen and three others between 2-4 miles southwest of Goshen are possibly indicative of deep geothermal waters migrating into Goshen Valley alluvial aquifers. Also, it is known that basin and range faulting followed the deposition of the tertiary volcanics, and that these volcanics have been breached in places. An example would be the nearby Range Front Fault, which placed fractured paleozoics in horizontal contact with about 500 feet of Goshen Valley alluvial aquifers. If this fault is transmissive, geothermal waters in the paleozoic rocks may migrate directly into the aquifers.

2. Please provide representative water quality analyses for the injectate and for ground water in the receiving aquifer hydraulically upgradient and downgradient from the proposed injection well site(s). Include a detailed description of the anti-scalents that are proposed to be added to the injectate, along with intended concentrations.

The quality of geothermal ground water in the project area appears to vary with distance from the more permeable fault zones. One such variance is indicated by water from the Apex Standard No. 2 shaft with a chloride content of 2,450 mg/l versus 6,000 mg/l from the Burgin mine, although both sources exhibit similar geothermal temperatures. Since such significant variations in receiving aquifer quality in the proposed project area might preclude the issuance of an area permit, enough ground water samples from the receiving aquifer in the area should be analyzed to determine what variations currently exist. If adequate data is not available or obtainable for the currently proposed project area, the area permit boundaries may have to be modified or individual well permits may be required instead of an area permit. See the enclosure from the June 6, 1997 letter for required analytes.

3. Please provide proposed injection well construction details which show injection through tubing with a packer set at least as deep as the base of the volcanics. Although we understand that the injection well(s) are not intended to be pressurized at the surface, as a precaution to protect the perched aquifer(s) from unacceptable contamination the injection well(s) must be configured to allow the tubing-casing annulus to be pressure tested as part of an annual mechanical integrity test. A reduced annulus pressure will be required to be maintained within certain limits during injection. This would preclude the presence of most of the drop pipe perforations shown in your figure A.8.

In addition to the technical data requested above, please provide a list, with addresses, of all those parties with water rights to ground water which may be affected by the injection operation.

We are willing to forgo monitoring of the perched aquifer(s) as long as the level of the regional water table aquifer and any induced mounding stays well below the base of the volcanic rocks and mechanical integrity testing of the injection well tubing-casing annulus indicates no injectate has migrated into a perched aquifer.

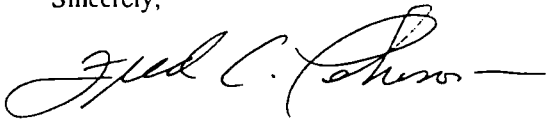
In response to your January 19, 1999 letter, we strongly encourage the treatment and beneficial use of Burgin Mine water instead of disposal by injection. The possible detrimental effects of such disposal on Utah Lake and

Paul C. Spor  
February 17, 1999  
Page 4

various aquifers as noted above are a real concern to us. It may be helpful in your mine water appropriation efforts with the Utah Division of Water Rights to pursue the possibility noted in paragraph 3 of Item 1 above, that pumping the mine might actually induce an increase in the flowrate of subterranean geothermal water upwelling in the area. If that is the case, possible opponents to your appropriation proposal might be appeased to know that you will be bringing in some "new" water, or at least diverting and treating water that might otherwise degrade the quality of water in Goshen Valley, Utah Lake, etc.

Feel free to share this letter with the Division of Water Rights. We would be happy to assist you in achieving the treatment/beneficial use objective. Possibly a joint meeting between Tintic Utah Metals and the Divisions of Water Rights and Water Quality would be helpful. Please call Jerry Jackson of this office at 801-538-6146 if you have any questions, if you want to meet with us, or if we can assist you in any way.

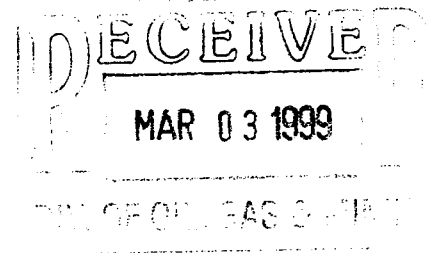
Sincerely,



Fred C. Pehrson, P.E., Manager  
Permits, Compliance & Monitoring Branch

FCP:glj/lb

cc: Dwight Hill, Utah County Health Department  
Douglas Minter, EPA Region VIII  
Utah County Commission  
Wayne Hedberg, Division of Oil, Gas, and Mining  
Michael Georgeson, Division of Drinking Water  
Elberta Water Company  
Town of Goshen  
Mountainlands Assn. Of Governments





B-9

Dry Stack Tailings Proposal – 1999

**TINTIC DRY STACK TAILINGS PRE-DESIGN MEETING**  
**Project Introduction**

**Utah Division of Water Quality**  
**Utah Division of Oil, Gas and Mining**

**10 a.m. Wednesday November 10, 1999**  
**1594 West North Temple, Room 2130**  
**Salt Lake City, Utah 84114**

**Project Proponent:**  
**Tintic Utah Metals, LLC**  
**15988 Silver Pass Road**  
**Eureka, Utah, 84628**  
**Paul Spor, Executive Director**  
**435 / 433-6606**

**November 1, 1999**

**TINTIC DRY STACK TAILINGS PRE-DESIGN MEETING  
UTAH DWQ/DOGM**

**Proponents Representatives**

Paul Spor, Executive Director  
Greg Smith, Mill Superintendent  
Tintic Utah Metals, LLC  
PO Box 51  
15988 Silver Pass Road  
Eureka, UT 84628  
Voice 435 / 433-6606  
Fax 435 / 433 - 6606

Ed Schneider, P.G., Hydrogeologist  
Debora Miller, P.E., Ph.D., Geotechnical Engineer  
ESA Consultants Inc.  
2637 Midpoint Drive  
Suite F  
Fort Collins, CO 80525  
Voice 970 / 484-3611  
Fax 970 / 484-4118

Tom Gast, Principal  
Environmental Management Services Company  
1413 West 57<sup>th</sup> Street  
Loveland, CO 80538  
Voice 970 / 461-0571  
Fax 970 / 461-0591



## **Presentation Outline**

**1.0 Introductions (Tom Gast)**

**2.0 Project History and Status (Paul Spor)**

**3.0 Mill Flow Sheet (Greg Smith)**

**4.0 Dry Stack Facility Introduction (Tom Gast)**

**5.0 Design Considerations and Site Characteristics (Ed Schneider)**

**6.0 Dry Stack Facility Conceptual Design (Deb Miller)**

**7.0 Monitoring and Closure (Tom Gast)**

**8.0 Summary (Tom Gast)**

**9.0 Comments, Questions and Answers**

## Introduction

The Tintic Mill is located in the East Tintic Mining District, Utah County, Utah (Exhibit A). In 1984 the property was the subject of an approved Mining and Reclamation Plan filed with DOGM (File Number ACT/049/009) by the property's lessee. Chief Consolidated Mining Company took control of its property in 1993 and continued the property's exploration program. Chief and its partners formed a new company in 1996 for the purpose of returning the property to production. The new company, Tintic Utah Metals, LLC, has prepared a request to transfer the current Mining and Reclamation Permit to Tintic Utah Metals LLC. Upon approval of the transfer, Tintic Utah Metals LLC will assume all reclamation responsibility for the property.

Because of changes to the mining plan resulting from Tintic Utah Metals, LLC current feasibility studies and delays in agency approval of the proposed dewatering plan for one of its mines in the district, the LLC has decided that immediate production could best be gained from known ore bodies above the water table. Therefore the DOGM permit transfer will be modified to reflect this change in mining plans and application will be made to DWQ to allow construction of the dry stack tailings disposal system. The purpose of the November 10, 1999 joint meeting with DWQ and DOGM is to discuss the conceptual dry stack tailings disposal system.

Initial production will come from the existing permitted Trixie and Apex No. 2 mines. Precious metal bearing ore will be mined by conventional underground methods, hoisted to the surface and placed into a loading bin. The ore will be truck hauled from the mines and placed in a surge pile at the concentrator. From the surge pile, the ore will be conveyed to the crushing plant, which includes a primary jaw crusher and a secondary cone crusher along with screen decks. While the ore will be moist, water spray bars will be used to control dust as necessary. Necessary air permits will be filed in November 1999 for the crushing circuit. Crushed ore will be conveyed to the two existing 750-ton fine ore storage bins. Fine ore will be conveyed to the 10-foot by 66-inch ball mill for wet grinding at a rate of 16 tons per hour (384 tons per day, 135,000 tons per year). After grinding, the slurry will be pumped to the gravity circuit and then the flotation plant where various flotation chemicals will be added and the finely ground pulp will be circulated through a series of flotation cells, thickeners and filters. Gold and silver will be produced and shipped for final processing.

The existing concentrator, including crushing and grinding circuits, was commissioned in 1967 and it operated until 1978. Tintic Utah Metals, LLC is in the process of completely renovating the concentrator. Necessary maintenance to the building has been completed or contracted. The crushing and grinding circuits have been rebuilt. A new gravity circuit has been ordered and it will be installed as soon as it is delivered. The old flotation equipment has been removed and modern equipment will be installed.

Tailings will be routed to a thickener and reagents added to improve settling. From the thickener, the tailings will be pumped to a filter where the moisture content will be

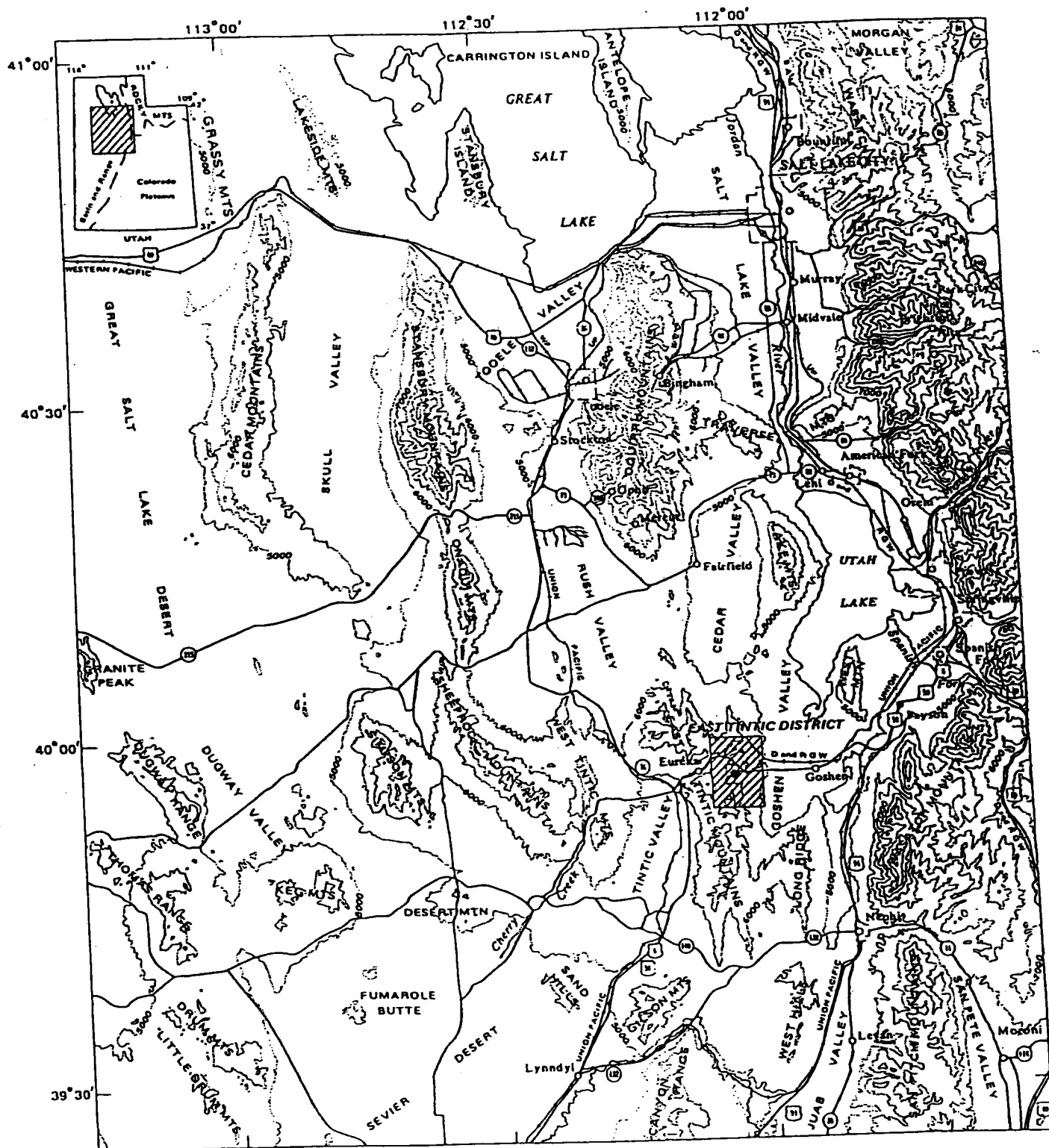
reduced to between 15 and 20 percent. Recovered solutions will recycle to the processing circuit and the dry tailings will be conveyed to a loading area. The dry tailings will be loaded into dump trucks and hauled approximately ½ mile to the proposed dry stack tailing facility. The location of the dry stack facility is shown on Exhibit B. Also shown on this exhibit is the land ownership boundary. Shown on Exhibit C are the facility's watershed boundary and a one-mile radius from the facility. Exhibit D is a 1996 USGS aerial photo of the facility area.

Contrasted with conventional tailings disposal in a tailings pond, dry stacked tailings are unsaturated and disposed of in an engineered waste pile. Consequently, from a ground water protection perspective, DWQ's mine waste pile requirements are appropriate rather than those directed toward tailings ponds or lagoons.

Initial construction activities at the dry stack facility will include removal of vegetation, stockpiling topsoil, and construction of the surface water diversion, sediment control pond and toe buttress. Filtered tailings will be delivered to the facility by truck and the dry stack pile will be constructed using loaders and a radial stacker. As shown on the dry stack facility conceptual drawings, the pile will be built from the toe buttress upslope. Building the pile sequentially will minimize disturbance, and topsoil stripped in years two through five will be directly placed on the completed portions of the pile. Concurrent reclamation activities will include soil placement, fertilization and seeding on an annual basis.

The facility's site characterization including topography, soils, climate, geology, hydrology, surface and ground water, and design considerations will be discussed during the presentation. Finally to be discussed is the facility's conceptual design and expected performance as supported by appropriate modeling.

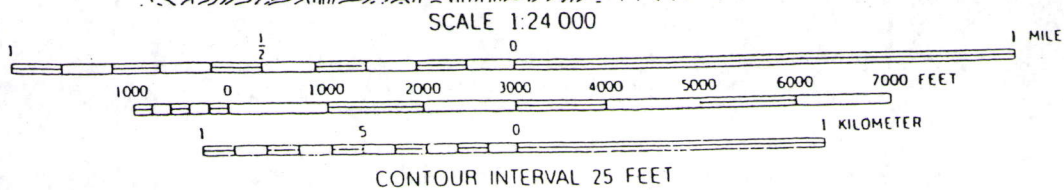
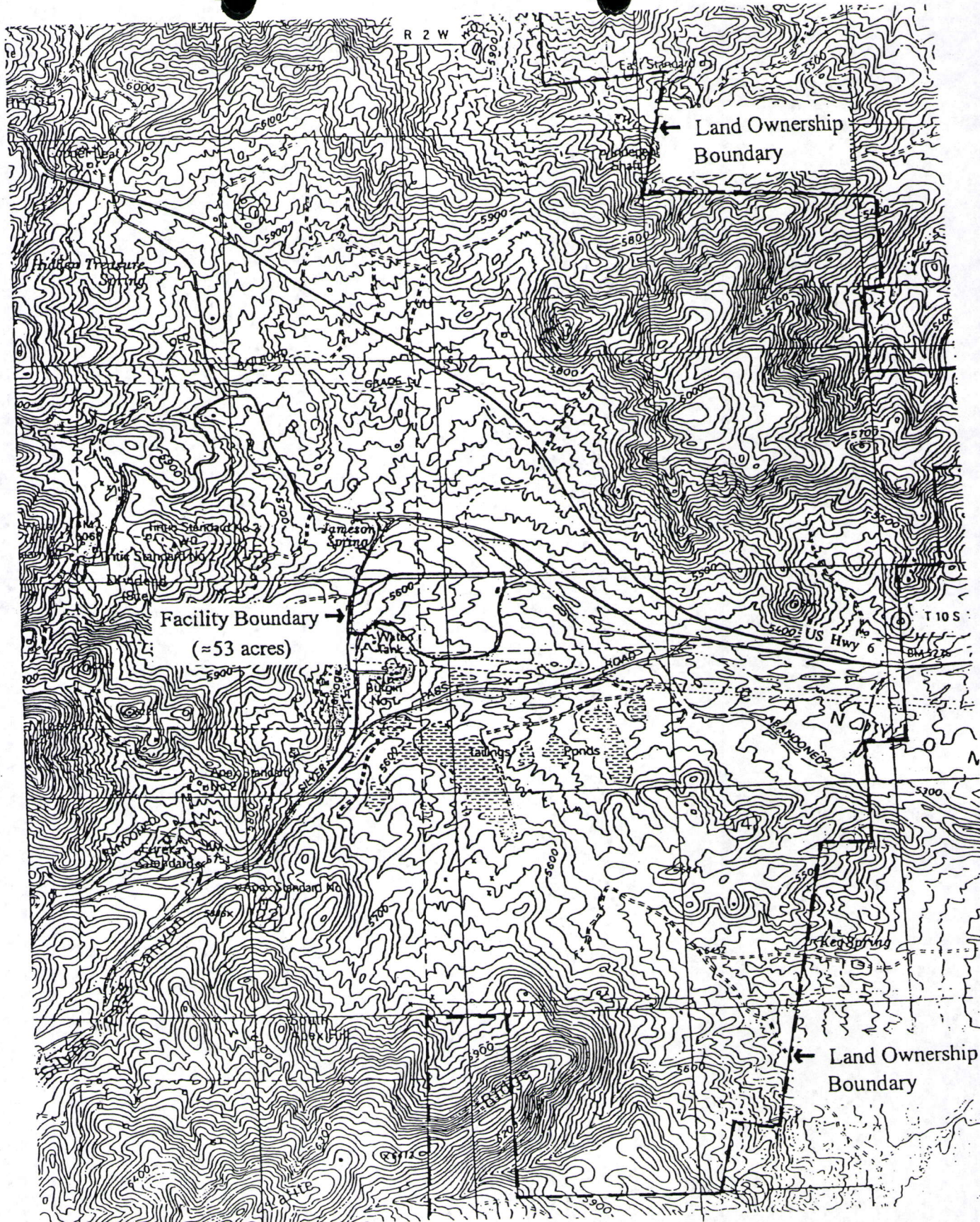




Facility Location Map  
East Tintic Mining District

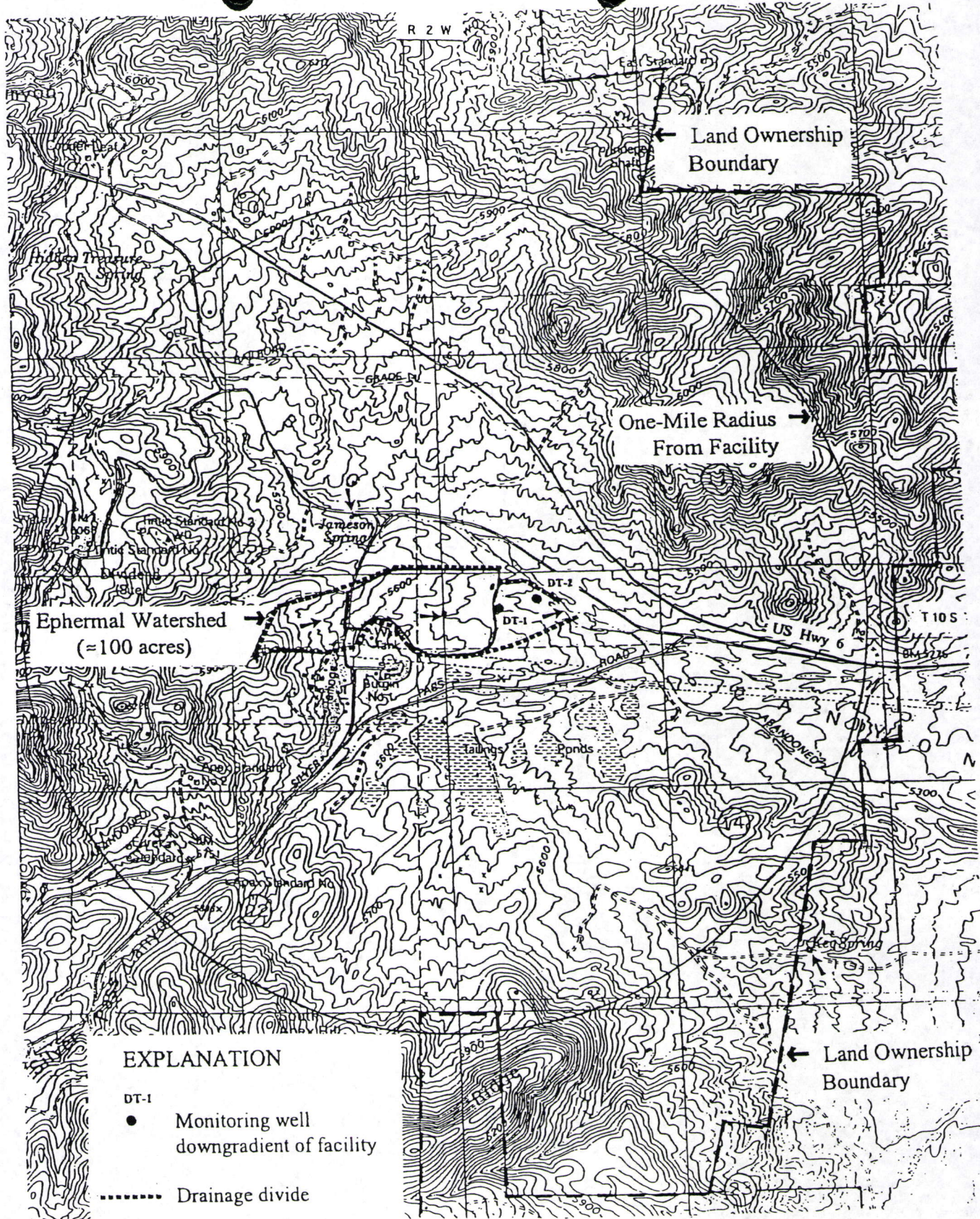
Exhibit A





Facility Area  
and  
Land Ownership Map







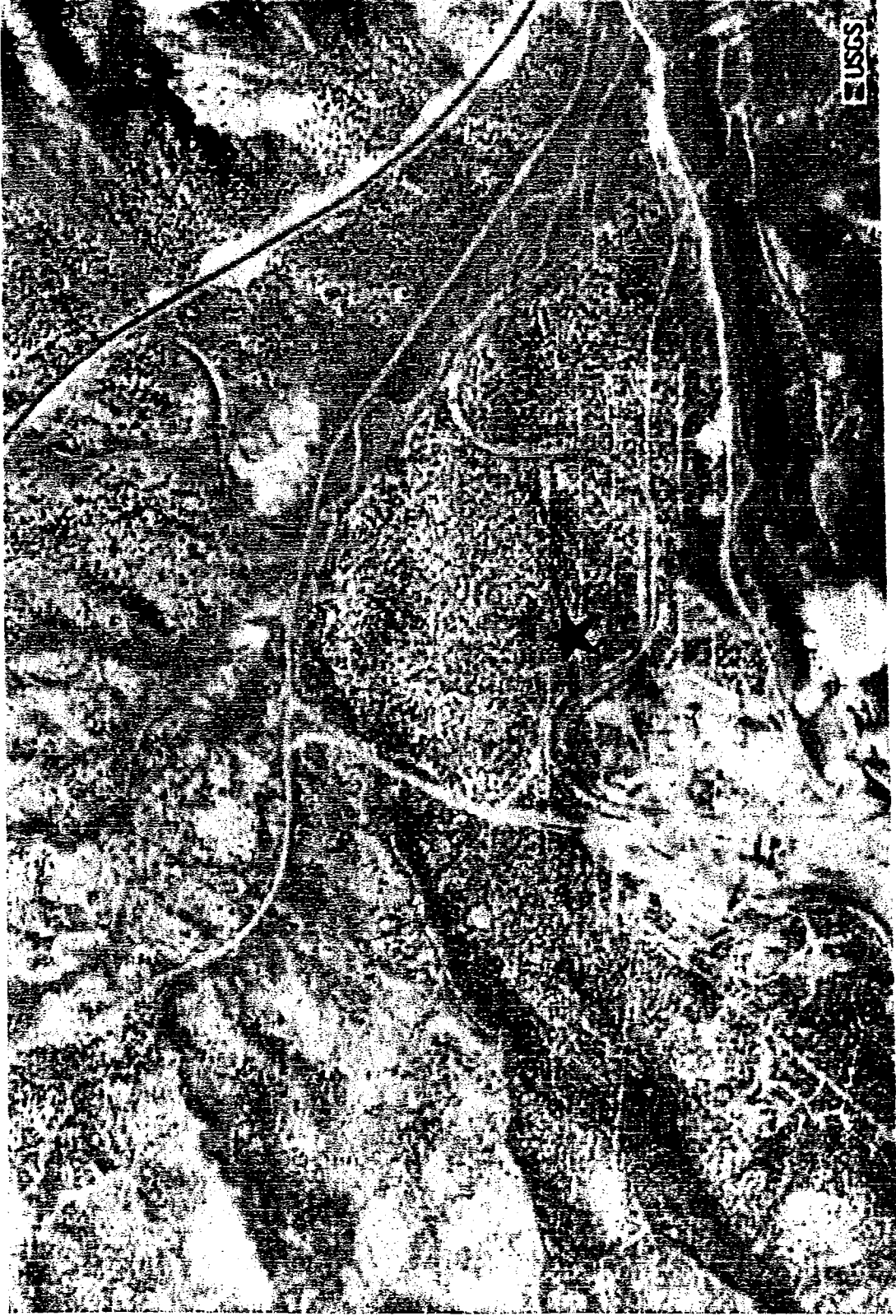
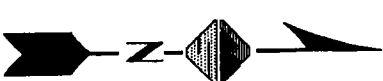


Exhibit D Dry Stack Tailings Area



CONTOUR INTERVAL 2 FEET

CONCEPTUAL DRY STACK TAILINGS FACILITY  
GENERAL SITE MAP



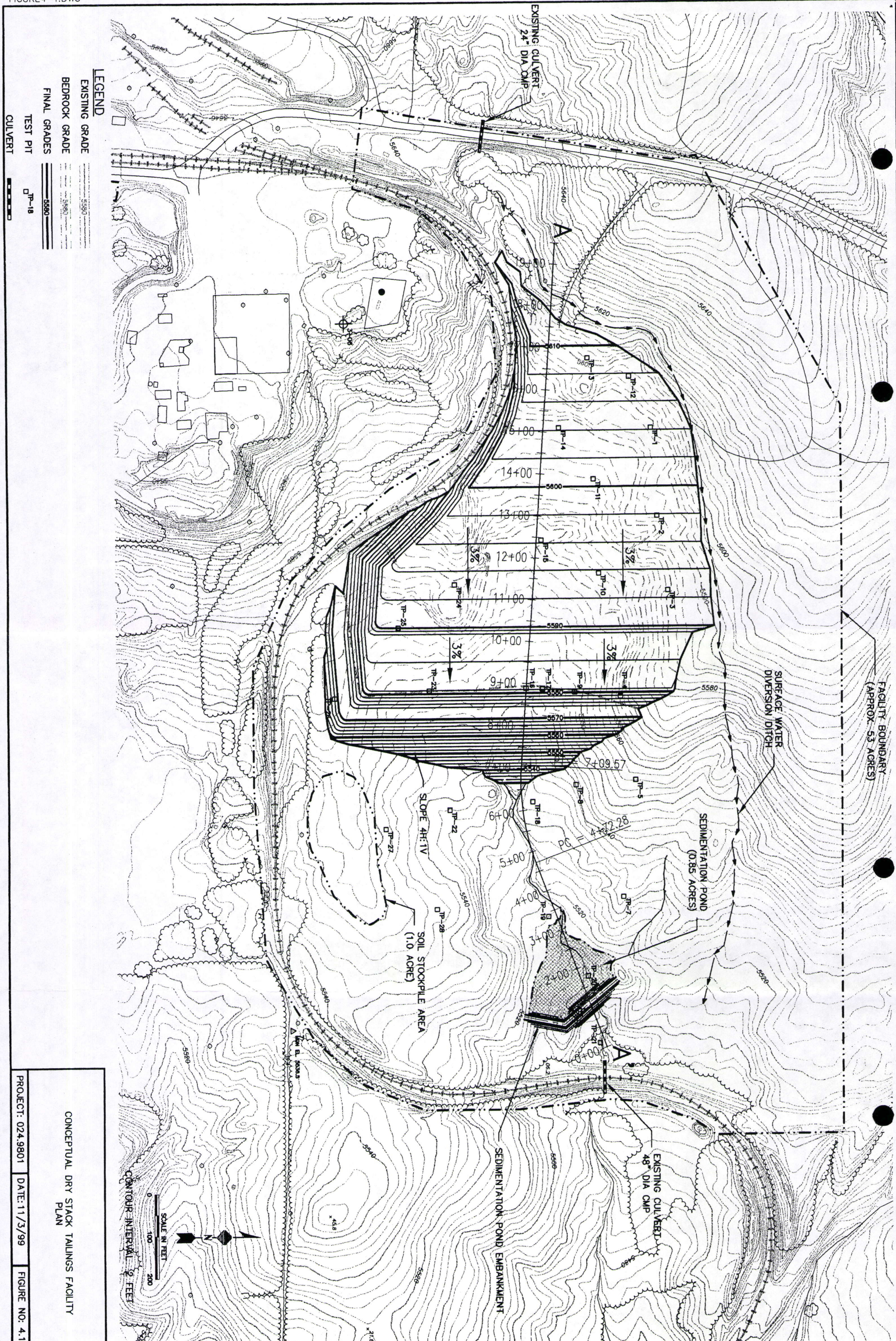
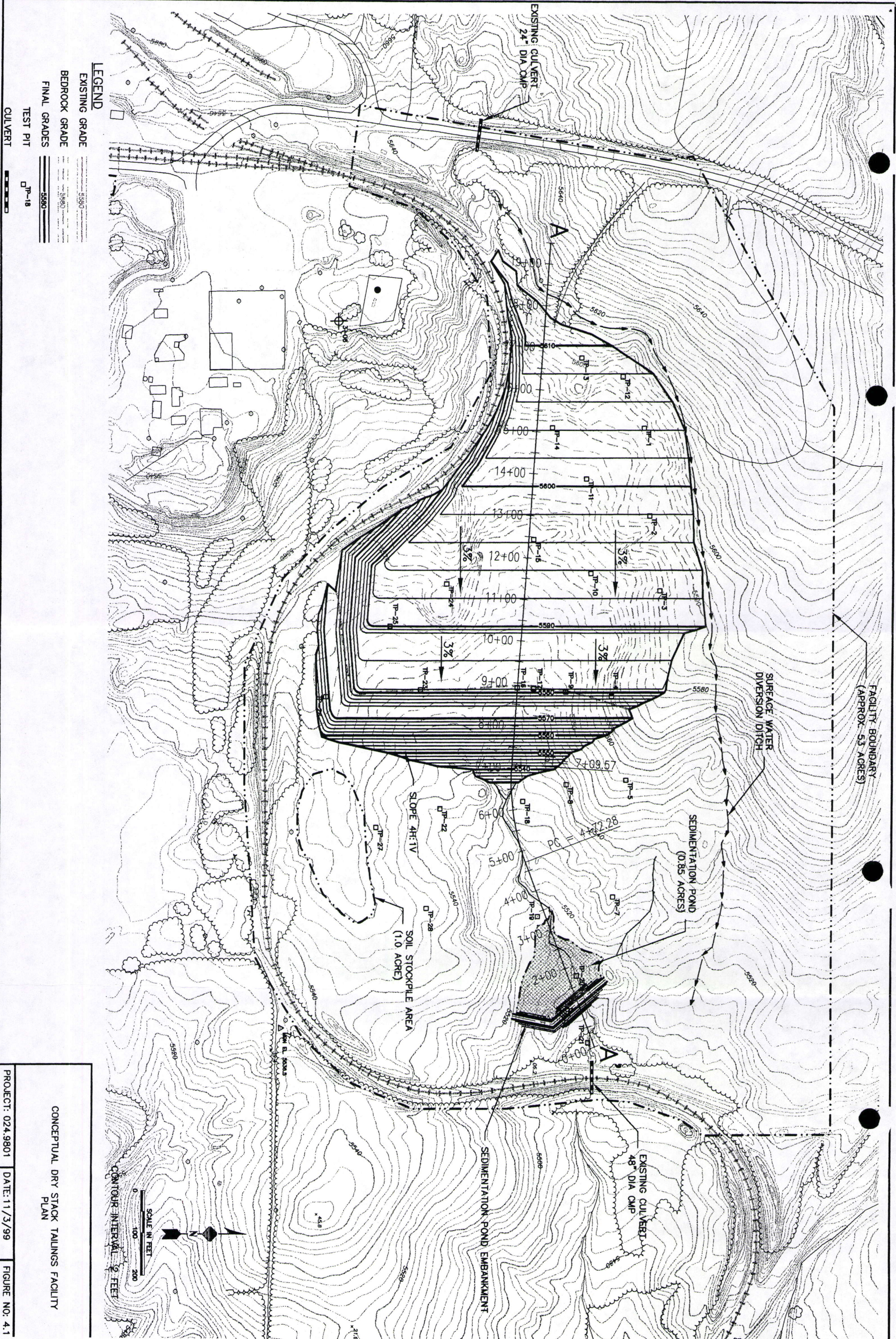
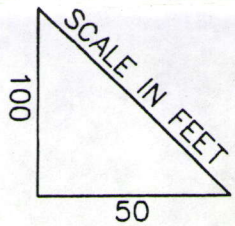
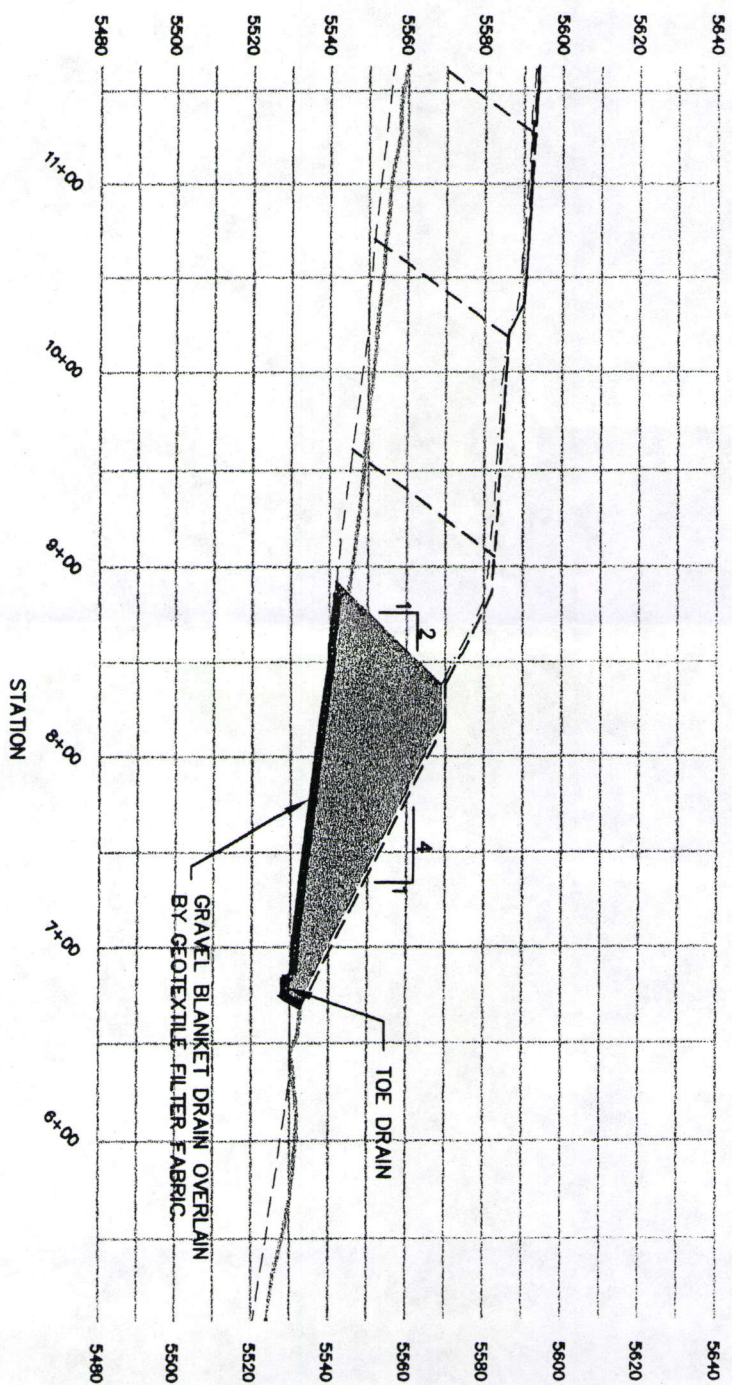




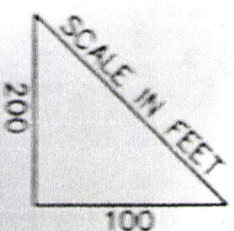
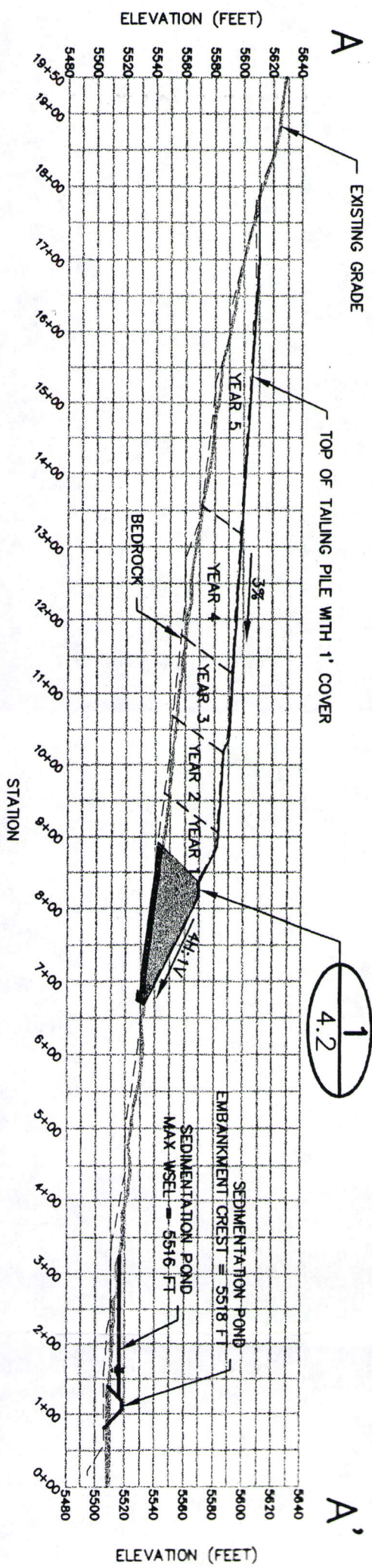
FIGURE 4-1.DWG







# 1 4.2 TOE BUTTRESS DETAIL





B-10      2001 Correspondence regarding Permit  
Modification for Dry Stack Proposal



State of Utah  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt  
Governor

Kathleen Clarke  
Executive Director

Lowell P. Braxton  
Division Director

1594 West North Temple, Suite 1210

PO Box 145801

Salt Lake City, Utah 84114-5801

801-538-5340

801-359-3940 (Fax)

801-538-7223 (TDD)

February 11, 2002

CERTIFIED RETURN RECEIPT

7099 3400 0016 8896 4066

Michael G. Lee  
Tintic Utah Metals  
15988 Silver Pass Road  
P.O. Box 51  
Eureka, Utah 84628

Re: Conditional Tentative Approval, Dry Stack Tailings Amendment, Tintic Utah Metals, LLC, Apex/Burgin Mine, M/049/009, Utah County, Utah

Dear Mr. Lee:

The Division has completed a review of your latest response, received January 7, 2002, to the Division's second deficiency review letter. After reviewing this latest information, the Division is now prepared to grant conditional tentative approval of the Dry Stack Tailing amendment with the following stipulation:

*Stipulation: The operator must obtain formal Division approval before using any excess stockpiled soil material from the dry stack area for reclamation of other pre-law mining disturbances adjacent to the permitted mine area. The request must contain at a minimum; a location map and written description of those areas on which the soil will be placed, the volume of soil to be used, the thickness of soil placement, seedbed preparation and the revegetation seedmix.*

Because this application is categorized as a permit amendment, no formal public notice is required. Prior to issuing our final approval of this proposal, we must receive copies of the following documents. Please provide this information within 30-days of your receipt of this letter:

1. Two complete and corrected copies of the permit amendment application. When final approval is issued, one copy will be stamped "approved" and returned to you for your records;



Page 2  
Michael Lee  
M/049/009  
February 11, 2002

2. A **\$60,400.00** supplemental surety amount to cover the estimated reclamation costs for the Dry Stack Tailings project area. We currently hold two CD's in the amount of \$350,000 that cover the projected reclamation costs for other disturbances and facilities associated with the approved Apex/Burgin Mine permit.
3. A replacement Reclamation Contract (Form MR-RC) which reflects the total disturbance of the entire mine site. The Reclamation Contract will be attached to and become an integral part of the reclamation surety for this project. Please let us know which type of surety you propose to post so we can provide you with the appropriate form.

*Please provide us with a "draft" copy of the completed reclamation contract and surety form before they are finalized so we can review them for completeness and accuracy.*

If you have any concerns regarding this letter, please contact me at (801) 538-5286 or Tom Munson at 538-5321. Thank you for your cooperation in completing this permitting process.

Sincerely,



D. Wayne Hedberg  
Permit Supervisor  
Minerals Regulatory Program

jb  
Enclosure: Surety Estimate & Form MR-RC  
M49-09-cond-apv.doc

# RECLAMATION SURETY ESTIMATE

Tintic Utah Metals LLC

Apex/Burgin Dry Stack Tailings - Permit Amendment

DOGM file number M/049/009

Prepared by Utah State Division of Oil, Gas & Mining

last revision

08/02/00

filename M049-009.xls

page "estimate D8"

Utah County

-This estimate uses a D8 size dozer for most earthwork

**This bond is calculated for the reclamation of the Dry Stack Tailings portion of the Apex-Burgin permit only**

**Note: actual unit costs may vary according to site conditions** last unit cost update 2-Aug-00

-Amount of disturbed area which will receive reclamation treatments = 10 acres

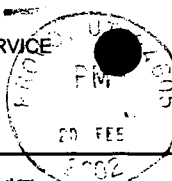
-Estimated total disturbed area for this mine = 10 acres

| Activity                                | Quantity  | Units | \$/unit | \$       | Note |
|---|-----------|-------|---------|----------|------|
| Regrading tailings - dozer              | 7 acre    |       | 502     | 3514     | (7)  |
| Tailings final grading - dozer          | 7 acre    |       | 234     | 1638     | (8)  |
| Topsoil replacement - dozer             | 5000 CY   |       | 0.5     | 2500     | (12) |
| Topsoil replacement - Scraper           | 17500 CY  |       | 1.15    | 20125    | (13) |
| Ripping resoiled areas prior to seeding | 10 acre   |       | 234     | 2340     | (9)  |
| Mulching (2 ton/acre alfalfa)           | 10 acre   |       | 220     | 2200     | (00) |
| Composted manure (10 ton/acre)          | 10 acre   |       | 300     | 3000     | (00) |
| Broadcast seeding                       | 10 acre   |       | 330     | 3300     | (00) |
| General site cleanup & trash removal    | 10 acre   |       | 50      | 500      | (00) |
| Equipment mobilization                  | 2 equip   |       | 1000    | 2000     | (00) |
| Reclamation Supervision                 | 200 hours |       | 30      | 6000     | (15) |
|   | Subtotal  |       |         | 47117    |      |
| 10% Contingency                         |           |       |         | 4712     |      |
|   | Subtotal  |       |         | 51829    |      |
| Escalate for 5 years at 3.12% per yr    |           |       |         | 8606     |      |
|   | Total     |       |         | \$60,434 |      |
| Rounded surety amount in yr 2007-\$     |           |       |         | \$60,400 |      |
| Average cost per disturbed acre =       |           |       |         | \$6,040  |      |

## Note

- (7) Means 2000 & Blue Book 3Q/00: Cat D8N, U, mtl 2550 lb/CY, 50 ft push, 1 ft depth
- (8) Means 2000 & Blue Book 3Q/00: Cat D8N, U, mtl 2550 lb/CY, 100 ft push
- (9) Means 2000 & Blue Book 3Q/00: Cat D8N, U, multi shank rippers, speed 1.0 mph
- (10) Means 2000 & Blue Book 3Q/00: Cat D8N, U, mtl 2550 lb/CY, 50 ft push, used avg vol 0.5CY/LF-berm
- (12) Means 2000 & Blue Book 3Q/00: Cat D8N, U, mtl 2550 lb/CY, 100 ft push
- (13) Means 2000 & Blue Book 3Q/00: Cat 627F P-P, mtl 2550 lb/CY, 2,000 ft haul one-way, grade +/- 4%,
- (00) Blue Rock Excavating Bid - mulching
- (00) DOGM general estimate - manure \$16/ton delivered, \$14 ton/acre spreading
- (00) Blue Rock Excavating Bid - broadcast seeding
- (00) DOGM general estimate - site cleanup & trash removal
- (00) DOGM general estimate - equipment mobilization
- (15) Blue Rock Excavating Project Management Bid





First-Class Mail  
Postage & Fees Paid  
USPS  
Permit No. G-10

• Sender: Please print your name, address, and ZIP+4 in this box •

DIVISION OF  
OIL, GAS & MINING  
1504 W NORTH TEMPLE STE 1210  
BOX 14680  
SALT LAKE CITY UT 84114-5801

RECEIVED  
FEB 21 2002  
DIVISION OF  
OIL, GAS AND MINING

4114X3401



JB DOGM M/049/009

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

## 1. Article Addressed to:

MICHAEL G LEE  
TINTIC UTAH METALS  
15988 SILVER PASS RD  
PO BOX 51  
EUREKA UT 84628

## 2. Article Number (Copy from service label)

7099 3400 0016 8896 4066

PS Form 3811, July 1999

Domestic Return Receipt

102595-99-M-1789

**COMPLETE THIS SECTION ON DELIVERY**

A. Received by (Please Print Clearly) B. Date of Delivery

Pam Penrod

2-20-02

C. Signature

X Pam Penrod

☐ Agent  
☐ Addressee

D. Is delivery address different from item 1? ☐ Yes  
 If YES, enter delivery address below: ☒ No

## 3. Service Type

☒ Certified Mail ☐ Express Mail  
☐ Registered ☐ Return Receipt for Merchandise  
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes**U.S. Postal Service****CERTIFIED MAIL RECEIPT**

(Domestic Mail Only; No Insurance Coverage Provided)

JB DOGM M/049/009

|   |    |
|---|----|
| Postage   | \$ |
| Certified Fee                                     |    |
| Return Receipt Fee<br>(Endorsement Required)      |    |
| Restricted Delivery Fee<br>(Endorsement Required) |    |
| Total Postage & Fees                              | \$ |

Postmark  
Here

Recipient's Name (Please Print Clearly) (to be completed by mailer)

MICHAEL G LEE - TINTIC UTAH METALS

Street, Apt. No.; or PO Box Inc.

15988 SILVER PASS RD PO BOX 51

City, State, ZIP+4

9904 9698 9100 004E 6602

B-11      February 15, 2002 Notice of Non-  
Compliance and Directive to Cease  
Operations





# State of Utah

DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt  
Governor

Kathleen Clarke  
Executive Director

Lowell P. Braxton  
Division Director

1594 West North Temple, Suite 1210

PO Box 145801

Salt Lake City, Utah 84114-5801

801-538-5340

801-359-3940 (Fax)

801-538-7223 (TDD)

February 15, 2002

CERTIFIED RETURN RECEIPT  
7099 3400 0016 8896 4059

Michael G. Lee  
Tintic Utah Metals LLC  
15988 Silver Pass Road  
P.O. Box 51  
Eureka, Utah 84628

Re: Notice of Non-Compliance – Directive to Cease Operations on the Dry Stack  
Tailings Amendment, Tintic Utah Metals, LLC, Apex/Burgin Mine, M/049/009, Utah  
County, Utah

Dear Mr. Lee:

This letter provides formal notice that mining operations at the Apex/Burgin Mine (M/049/009) located in Utah County, Utah, are being conducted in violation of the Utah Mined Land Reclamation Act, 40-801 et. seq. (Act) and the Minerals Reclamation Program Rules, sections R647-1 through R647-5.

A site inspection was performed on February 6, 2002 (inspection memo attached), which confirmed that large mining operations have been conducted outside of the approved permit area.

### Findings of Non-Compliance

1. Tintic Utah Metals, LLC, has expanded their mining operations by an additional 5-7 acres of surface disturbance. Rule R647-4-118 requires an operator to file a Notice of Intention to Revise Large Mining Operations (FORM MR-REV), post adequate reclamation surety and receive Division approval of the revised permit application **before** creating any new mine disturbance. On August 14, 2001, Tintic Utah Metals did file an application to amend the approved Notice of Intention to include an additional 10 acres of disturbance; however, the revised surety has not been received and the operator has not received final approval for this amendment.

Page 2  
Michael G. Lee  
Notice of Non-compliance  
M/049/009  
February 15, 2002

2. Rule R647-4-113 requires an operator to post surety with the Division to ensure adequate reclamation is performed, before mining-related disturbances are created. To date, Tintic Utah Metals has not filed adequate reclamation surety to cover the new surface disturbance.

#### **Location of Non-Compliance**

Disturbances associated with Tintic Utah Metals, LLC Apex/Burgin Mine are located in the SE1/4 SE1/4 of Section 15, the SE1/4 NW1/4 of Section 22, and the NW1/4 NW1/4 NW1/4 of Section 28, T10S, R2W, SLBM, Utah County, Utah.

#### **Mitigation Requirements:**

1. Conditional Tentative Approval was sent on February 11, 2002. Because, Tintic Utah Metals has already disturbed approximately 5-7 acres without approval, *the operator must immediately cease all further operations within the Dry Stack Tailings area until final approval is granted by the Division.*
2. *Tintic Utah Metals, must post an additional \$60,400 of reclamation surety that has been calculated for the Dry Stack Tailings proposal.*
3. *Tintic Utah Metals, must restrict its mining operations to the authorized areas under its approved Apex-Burgin large mine permit (excluding the Dry Stack Tailings area disturbance).*
4. *You are hereby directed to contact the Division within 10 days of your receipt of this letter to schedule a meeting to discuss options to remedy this situation.* Please contact Vicki Southwick, Executive Secretary, at (801) 538-5304 to arrange a meeting with the Associate Director to resolve this matter.

#### **Penalties for Failure to Comply**

1. Tintic Utah Metals, LLC's failure to comply with the mitigation requirements of this Notice of Non-compliance may result in the issuance of a formal Notice of Agency Action by the Division. This enforcement action could require the operator to appear at an informal hearing before the Division Director, or at a formal hearing before the Board of Oil, Gas and Mining. Following appropriate public notice and a formal hearing, the Board may issue an abatement or compliance Order requiring: immediate suspension or termination of all mining operations until the amended plan is approved; revocation of



Page 3  
Michael G. Lee  
Notice of Non-compliance  
M/049/009  
February 15, 2002

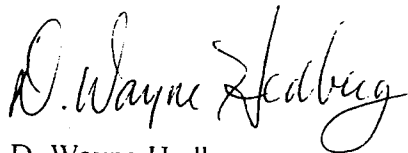
tentative approval of the permit amendment and immediate reclamation of all disturbances; and/or other lawful requirements as authorized under the Act.

2. The Board may also ask the County prosecutor or attorney general to bring suit against the operator to enforce its Orders and to seek assessment of appropriate penalties, not to exceed \$10,000 for each knowing or willful violation of the Act.

The Division presently holds a \$350,000 Certificate of Deposit for the approved Apex-Burgin mine permit. Tintic Utah Metals may post another CD for the amended area, or post another form of surety. Please contact Joelle Burns at (801) 538-5291 to obtain the proper forms. A new Reclamation Contract form was sent to you on February 11, 2002.

If you have any questions regarding the requirements of this notice, please contact me at (801) 538-5286, or Doug Jensen at 538-5382. Thank you for your immediate attention to this matter.

Sincerely,



D. Wayne Hedberg  
Permit Supervisor  
Minerals Regulatory Program

jb  
Attachment: 2/6/02 inspection memo  
cc: Mary Ann Wright, Associate Director  
M49-09-nonc-2-12-02.doc



State of Utah  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt  
Governor  
Kathleen Clarke  
Executive Director  
Lowell P. Braxton  
Division Director

1594 West North Temple, Suite 1210  
PO Box 145801  
Salt Lake City, Utah 84114-5801  
801-538-5340  
801-359-3940 (Fax)  
801-538-7223 (TDD)

February 11, 2002

TO: Minerals File

FROM: Doug Jensen, Senior Reclamation Specialist *D. Jensen*

RE: Site Inspection, Apex/Burgin Project, M/049/009, Utah County, Utah

Date of Inspection: February 6, 2002  
Time of Inspection: 7:00 a.m.  
Conditions: Cold and Clear  
Participants: Doug Jensen, UDOGM

**Purpose of Inspection:**

To check the wet stack tailings area within the mine area that had been requested for release. The mine is proposing to place dry stack tailings in another area of the mine.

**Observations:**

The area of the wet stack tailings has not been disturbed and can be released.

While on the site I checked the area of the dry stack tailings. The mine has begun to utilize the area for disposal of their tailings from the mill. This area has been stripped of soil, a drain system and catch pond constructed previously and now is receiving tailings without an approved permit. I notified Tom Munson of the activity that was taking place at the site.

Pictures were taken of the dry stack area.

**Conclusions and Recommendations:**

Notify the operators that they are not authorized to use the dry stack area until the permit has been approved and the surety has been received.



• Sender: Please print your name, address, and ZIP+4 in this box •

DEPT. OF COMMERCE  
1598 SILVER PASS RD. STE 121  
PO BOX 51  
SALT LAKE CITY UT 84628

DIVISION OF  
OIL, GAS AND MINING

MAR 11 2002

RECEIVED



JB DOGM M/049/009  
**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
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## 1. Article Addressed to:

MICHAEL G LEE  
TINTIC UTAH METALS LLC  
15988 SILVER PASS RD  
PO BOX 51  
EUREKA UT 84628

**COMPLETE THIS SECTION ON DELIVERY**

- A. Received by (Please Print Clearly) Pam Penroel B. Date of Delivery 2-27-02
- C. Signature x Pam Penroel ☐ Agent ☐ Address
- D. Is delivery address different from item 1? ☐ Yes ☒ No  
If YES, enter delivery address below:

3. Service Type  
☒ Certified Mail ☐ Express Mail  
☐ Registered ☐ Return Receipt for Merchandise  
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Copy from service label)  
7099 3400 0016 8896 4059

PS Form 3811, July 1999

Domestic Return Receipt

102595-99-M-17

**U.S. Postal Service**  
**CERTIFIED MAIL RECEIPT**  
(Domestic Mail Only; No Insurance Coverage Provided)

JB DOGM M/049/009

|   |    |
|---|----|
| Postage   | \$ |
| Certified Fee                                     |    |
| Return Receipt Fee<br>(Endorsement Required)      |    |
| Restricted Delivery Fee<br>(Endorsement Required) |    |
| Total Postage & Fees                              | \$ |

Postmark  
Here

Recipient's Name (Please Print Clearly) (to be completed by mailer)

MICHAEL G LEE - TINTIC UTAH METALS

Street, Apt. No., or PO Box No.

15988 SILVER PASS RD PO BOX 51

City, State, ZIP+4

EUREKA UT 84628

PS Form 3800, February 2000

See Reverse for Instructions

7099 3400 0016 8896 4059

B-12      Production Reports 1997 through 2002



RECEIVED

JAN - 7 2003

DIV. OF OIL, GAS & MINING

STATE OF UTAH  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING  
1594 West North Temple - Suite 1210  
Box 145801  
Salt Lake City, Utah 84114-5801  
Telephone: (801) 538-5291  
Fax: (801) 359-3940

ANNUAL REPORT OF MINING OPERATIONS

The informational requirements of this form are based on provisions of the Mined Land Reclamation Act, Title 40-8, Utah Code Annotated 1953, as amended, and the General Rules as promulgated under the Utah Minerals Regulatory Program. An operator conducting mining operations under a Notice of Intention must file an annual operations and progress report (FORM MR-AR) with the Division.

I. General Information

1. Report Time Period: From (mo./yr.) 01/02 To (mo./yr.) 12/02
2. DOGM File Number (Mine No): M 10491009
3. Mine Name: Burgin Project / Apex
4. Mineral(s) Mined (or permitted to mine): Lead Zinc Silver Gold
5. Type of mine ☐ Surface Mine or ☒ Underground Mine
6. Legal Description (Location of Lands Affected):  
1/4, SE 1/4, SE 1/4, Section 15, Township 10 S, Range 2 W  
1/4, SW 1/4, SE 1/4, Section 15, Township 10 S, Range 2 W  
1/4, NE 1/4, NW 1/4, Section 22, Township 10 S, Range 2 W
7. Name of Operator or Company: Chief Consolidated Mining Company
8. Permanent Street Address: P.O. Box 51  
City, State, Zip: Eureka UT 84628  
Phone: 435-433-6881 Fax: 435-433-1055
9. Company Representative (or designated operator):  
Name: Rick Schreiber  
Title: CEO  
Business Address: 1629 Locust Street  
City, State, Zip: Philadelphia, PA 19103  
Phone: 215-546-8585 Fax: 215-546-9160  
☐ Please check if any of the above information has changed since previous year.

II. Mining and Reclamation

1. Was there any mine related activity during the past year? Yes ☒ No ☐
2. If no - what was the last year of activity? \_\_\_\_\_
3. If yes - how much ore or mineral was mined? NONE

4. Briefly describe the type of work performed, volume of material moved, and any new or additional surface disturbances that occurred during the past year.

Mill operated during December

5. How much additional acreage was disturbed during the past year? 0

6. How much acreage was reclaimed during the past year? 0

7. Briefly describe the reclamation work performed during the past year. This description should include methods employed, and an evaluation of the results.

NONE ANTICIPATED AT THIS TIME

8. What is the total disturbed acreage of entire project at years end? 77.73

9. Briefly summarize any mining and/or reclamation plans for the upcoming year.

Mill ore from the Trixie Mine

**NOTE:** Section III., "Additional Information" applies only to large mining operations.

**III. Additional Information - R647-4-121.2 and .3**

1. The operator shall include an updated map depicting surface disturbance and reclamation performed during the year, prepared in accordance with Rule R647-4-105.
2. The operator shall keep and maintain timely records relating to his performance under the Act, and shall make these records available to the Division upon request.

**IV. Signature Requirement**

**I hereby certify that the foregoing is true and correct.**

Name (Typed or Print):

Ann Black

Title of Operator:

Secretary

Signature of Operator:

Ann Black

Date:

1/2/03



RECEIVED

STATE OF UTAH  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

1594 West North Temple - Suite 1210

Box 145801

Salt Lake City, Utah 84114-5801

Telephone: (801) 538-5291

Fax: (801) 359-3940

JAN 14 2002 ✓

DIVISION OF  
OIL, GAS AND MINING

ANNUAL REPORT OF MINING OPERATIONS

The informational requirements of this form are based on provisions of the Mined Land Reclamation Act, Title 40-8, Utah Code Annotated 1953, as amended, and the General Rules as promulgated under the Utah Minerals Regulatory Program. An operator conducting mining operations under a Notice of Intention must file an annual operations and progress report (FORM MR-AR) with the Division.

I. General Information

1. Report Time Period: From (mo./yr.) 01/01 To (mo./yr.) 12/01
2. DOGM File Number (Mine No): M 10491009
3. Mine Name: GURGIN MINE (CURRENT ACCESS VIA APEX NO. 2 SHAFT)
4. Mineral(s) Mined (or permitted to mine): LEAD, ZINC, SILVER AND gold
5. Type of mine ☐ Surface Mine or ☒ Underground Mine
6. Legal Description (Location of Lands Affected):  
1/4, SE 1/4, SE 1/4, Section 15, Township 10S, Range 2W  
1/4, SW 1/4, SE 1/4, Section 15, Township 10S, Range 2W  
1/4, NE 1/4, NW 1/4, Section 22, Township 10S, Range 2W
7. Name of Operator or Company: CHIEF CONSOLIDATED MINING CO / TINTIC UTAH METALS LLC
8. Permanent Street Address: P.O. BOX 51  
City, State, Zip: EUREKA, UT 84628  
Phone: (435) 433-6606 Fax: (435) 433-6674
9. Company Representative (or designated operator):  
Name: MIKE LEE  
Title: V.P. AND GENERAL MANAGER  
Business Address: P.O. BOX 51  
City, State, Zip: EUREKA, UT 84628  
Phone: (435) 433-6606 Fax: (435) 433-6674  
☒ Please check if any of the above information has changed since previous year.

II. Mining and Reclamation

1. Was there any mine related activity during the past year? Yes ☒ No ☐
2. If no - what was the last year of activity? \_\_\_\_\_
3. If yes - how much ore or mineral was mined? NONE

4. Briefly describe the type of work performed, volume of material moved, and any new or additional surface disturbances that occurred during the past year.  
REHABILITATION OF THE NEW TINTIC MILL CONTINUED WITH LIMITED OPERATIONS BEGINNING IN DECEMBER
5. How much additional acreage was disturbed during the past year? -0-
6. How much acreage was reclaimed during the past year? -0-
7. Briefly describe the reclamation work performed during the past year. This description should include methods employed, and an evaluation of the results.  
NONE ANTICIPATED AT THIS TIME
8. What is the total disturbed acreage of entire project at years end? 77.73
9. Briefly summarize any mining and/or reclamation plans for the upcoming year.  
MILL ORE FROM THE TRIXIE MINE

**NOTE:** Section III., "Additional Information" applies only to large mining operations.

**III. Additional Information - R647-4-121.2 and .3**

1. The operator shall include an updated map depicting surface disturbance and reclamation performed during the year, prepared in accordance with Rule R647-4-105.
2. The operator shall keep and maintain timely records relating to his performance under the Act, and shall make these records available to the Division upon request.

**IV. Signature Requirement**

I hereby certify that the foregoing is true and correct.

Name (Typed or Print):

Title of Operator:

Signature of Operator:

Date:

Michael G. Lee  
VP & Gen Mgr.  
[Signature]  
Jan 9, 2002

jb  
o:\forms\reports\MR-AR

**RECEIVED**

JAN 14 2002

DIVISION OF  
OIL, GAS AND MINING



STATE OF UTAH  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING  
1594 West North Temple - Suite 1210  
Box 145801  
Salt Lake City, Utah 84114-5801  
Telephone: (801) 538-5291  
Fax: (801) 359-3940

ANNUAL REPORT OF MINING OPERATIONS

The informational requirements of this form are based on provisions of the Mined Land Reclamation Act, Title 40-8, Utah Code Annotated 1953, as amended, and the General Rules as promulgated under the Utah Minerals Regulatory Program. An operator conducting mining operations under a Notice of Intention must file an annual operations and progress report (FORM MR-AR) with the Division.

I. General Information

1. Report Time Period: From (mo./yr.) 1/00 To (mo./yr.) 12/00
2. DOGM File Number (Mine No): M 1049/009
3. Mine Name: Burgin Mine (current access via Apex No. 2 shaft.)
4. Mineral(s) Mined (or permitted to mine): Lead, zinc, silver & gold
5. Type of mine ☐ Surface Mine or ☒ Underground Mine
6. Legal Description (Location of Lands Affected):  
SE 1/4, SE 1/4, \_\_\_ 1/4, Section 15, Township 10 S, Range 2 W  
SE 1/4, NW 1/4, \_\_\_ 1/4, Section 22, Township 10 S, Range 2 W  
NW 1/4, NW 1/4, \_\_\_ 1/4, Section 28, Township 10 S, Range 2 W
7. Name of Operator or Company: TINTIC UTAH METALS LLC
8. Permanent Street Address: 15988 SILVER PASS ROAD  
City, State, Zip: Eureka, UT 84628  
Phone: 435-433-6606 Fax: 435-433-6674
9. Company Representative (or designated operator):  
Name: PAUL C. SPOR  
Title: Executive Director  
Business Address: P.O. Box 51  
City, State, Zip: Eureka, UT 84628  
Phone: 435-433-6606 Fax: 435-433-6674  
☐ Please check if any of the above information has changed since previous year.

II. Mining and Reclamation

1. Was there any mine related activity during the past year? Yes ☒ No ☐
2. If no - what was the last year of activity? N/A
3. If yes - how much ore or mineral was mined? NONE ✓

4. Briefly describe the type of work performed, volume of material moved, and any new or additional surface disturbances that occurred during the past year.  
Rehabilitation of the new TINTIC CONCENTRATOR continued.  
New water lines were run from Little & Big Gough Springs  
on existing trails. Fire prevention brakes around power  
substations. Constructed a monitoring well site.
5. How much **additional** acreage was disturbed during the past year? 3.73
6. How much acreage was **reclaimed** during the past year? 3.73
7. Briefly describe the reclamation work performed during the past year. This description should include methods employed, and an evaluation of the results.  
Areas were recontoured to conform with local  
topography and seeded. A copy of the seed mix  
is attached.
8. What is the **total** disturbed acreage of entire project at years end? 77.73
9. Briefly summarize any mining and/or reclamation plans for the upcoming year.  
Mill ores from the Trixie Mine.

**NOTE:** Section III., "Additional Information" applies only to **large mining operations**.

### III. Additional Information

1. An updated surface facilities map should be attached if there have been significant changes since the previous map was submitted.
2. Any monitoring results or other reports that are required under the terms of the approved notice of intention should also be attached.

### IV. Signature Requirement

I hereby certify that the foregoing is true and correct.

Name (Typed or Print):

Title of Operator:

Signature of Operator:

Date:

PAUL G. SPOR  
Executive Director  
Jan. 24, 2001



## FROM:

Granite Seed Company 1697 W. 2100 N.  
Lehi, UT 84043

MIX #: 31546

## RECLAMATION

| % PURE |                         | GERM + HARD    | DORM OR | ORIGIN |
|--------|-------------------------|----------------|---------|--------|
| 21.72  | CRESTED WHEATGRASS      | 95.00 + 0.00 - |         | CAN    |
| 20.63  | FOURWING SALTBU         | 50.00 + 0.00 - | TZ      | NM     |
| 11.59  | INTERMEDIATE WHEATGRASS | 89.00 + 0.00 - |         | WA     |
| 11.46  | BLUEBUNCH WHEATGRASS    | 90.00 + 0.00 - |         | WA     |
| 6.79   | THICKSPIKE WHEATGRASS   | 76.00 + 0.00 - |         | WA     |
| 6.37   | YELLOW SWEET CLOVER     | 81.00 + 0.00 - |         | CAN    |
| 5.21   | ALFALFA                 | 99.00 + 0.00 - | TZ      | MT     |
| 4.54   | BASIN WILDRYE           | 74.00 + 0.00 - |         | NV     |
| 2.93   | ORCHARDGRASS            | 88.00 + 0.00 - |         | OR     |
| 2.80   | ANTELOPE BITTERBRUSH    | 92.00 + 0.00 - | TZ      | ID     |
| 2.77   | INDIAN RICEGRASS        | 93.00 + 0.00 - | TZ      | CO     |

0.19 Other Crop

2.96 Inert Matter

0.04 Weed Seed

NET WEIGHT: 50.00 LBS. BULK

39.07 LBS. PLS

Date Tested: 10/04/1999

Restricted Weed: None

% Hard Seed: 0.00

GUARANTEE: Granite Seed guarantees its seed to be of promised quality and true to name as specified. Should seed prove to be other than labeled, liability shall be limited to replacement or refund of purchase price.

## SHIP TO:

TINTIC UTAH METAL, LLC  
WILL CALL

STATE OF UTAH  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING  
1594 West North Temple - Suite 1210  
Box 145801  
Salt Lake City, Utah 84114-5801  
Telephone: (801) 538-5291  
Fax: (801) 359-3940

RECEIVED  
JAN 21 2000  
DIVISION OF  
OIL, GAS AND MINING

ANNUAL REPORT OF MINING OPERATIONS

The informational requirements of this form are based on provisions of the Mined Land Reclamation Act, Title 40-8, Utah Code Annotated 1953, as amended, and the General Rules as promulgated under the Utah Minerals Regulatory Program. An operator conducting mining operations under a Notice of Intention must file an annual operations and progress report (FORM MR-AR) with the Division.

I. General Information

1. Report Time Period: From (mo./yr.) Jan. 99 To (mo./yr.) Dec. 99
2. DOGM File Number (Mine No): M/049 009
3. Mine Name: Burgin Mine (current access via Apex No. 2)
4. Mineral(s) Mined (or permitted to mine): lead, silver, zinc, and gold
5. Type of mine ☐ Surface Mine or ☒ Underground Mine
6. Legal Description (Location of Lands Affected):  
SE 1/4, SE 1/4, \_\_\_ 1/4, Section 15, Township 10 S, Range 2 W  
SE 1/4, NW 1/4, \_\_\_ 1/4, Section 22, Township 10 S, Range 2 W  
NW 1/4, NW 1/4, \_\_\_ 1/4, Section 28, Township 10 S, Range 2 W
7. Name of Operator or Company: Tintic Utah Metals LLC
8. Permanent Street Address: 15988 Silver Pass Road  
City, State, Zip: Eureka, Utah 84628  
Phone: 435-433-6606 Fax: 435-433-6674
9. Company Representative (or designated operator):  
Name: Paul C. Spor  
Title: Executive Director  
Business Address: P.O. Box 51  
City, State, Zip: Eureka, Utah 84628  
Phone: 435-433-6606 Fax: 435-433-6674  
☐ Please check if any of the above information has changed since previous year.

II. Mining and Reclamation

1. Was there any mine related activity during the past year? Yes ☒ No ☐
2. If no - what was the last year of activity? \_\_\_\_\_
3. If yes - how much ore or mineral was mined? None



4. Briefly describe the type of work performed, volume of material moved, and any new or additional surface disturbances that occurred during the past year.  
Rehabilitation of the old Burgin mill, no new surface disturbances.
5. How much **additional acreage** was disturbed during the past year? None
6. How much acreage was **reclaimed** during the past year? None
7. Briefly describe the reclamation work performed during the past year. This description should include methods employed, and an evaluation of the results.  
N/A
8. What is the **total** disturbed acreage of entire project at years end? 74
9. Briefly summarize any mining and/or reclamation plans for the upcoming year.  
Mill ores from the Trixie mine.

**NOTE:** Section III., "Additional Information" applies only to **large mining operations**.

**III. Additional Information**

1. An updated surface facilities map should be attached if there have been significant changes since the previous map was submitted.
2. Any monitoring results or other reports that are required under the terms of the approved notice of intention should also be attached.

**IV. Signature Requirement**

**I hereby certify that the foregoing is true and correct.**

Name (Typed or Print):

Paul C. Spor

Title of Operator:

Executive Director

Signature of Operator:



Date:

January 17, 2000

jb  
a:\forms\VMR-AR

**RECEIVED**  
JAN 21 2000  
DIVISION OF  
OIL, GAS AND MINING

STATE OF UTAH  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING  
1594 West North Temple - Suite 1210  
Box 145801  
Salt Lake City, Utah 84114-5801  
Telephone: (801) 538-5291  
Fax: (801) 359-3940

ANNUAL REPORT OF MINING OPERATIONS

The informational requirements of this form are based on provisions of the Mined Land Reclamation Act, Title 40-8, Utah Code Annotated 1953, as amended, and the General Rules as promulgated under the Utah Minerals Regulatory Program. An operator conducting mining operations under a Notice of Intention must file an annual operations and progress report (FORM MR-AR) with the Division.

I. General Information

1. Report Time Period: From (mo./yr.) Jan. 98 To (mo./yr.) Dec. 98
2. DOGM File Number (Mine No): M 049 / 009
3. Mine Name: Burgin Mine ( access via Apex No. 2 )
4. Mineral(s) Mined (or permitted to mine): Lead, Zinc, Silver & Gold
5. Type of mine ☐ Surface Mine or ☒ Underground Mine
6. Legal Description (Location of Lands Affected):  
SE 1/4, SE 1/4, 1/4, Section 15, Township 10S, Range 2W  
SE 1/4, NW 1/4, 1/4, Section 22, Township 10S, Range 2W  
1/4, 1/4, 1/4, Section, Township, Range
7. Name of Operator or Company: Tintic Utah Metals LLC
8. Permanent Street Address: 15988 Silver Pass Road  
City, State, Zip: Eureka, Utah 84628  
Phone: 435-433-6606
9. Company Representative (or designated operator):  
Name: Paul C. Spor  
Title: Executive Director  
Business Address: P. O. Box 51  
City, State, Zip: Eureka, Utah 84628  
Phone: 435-433-6606  
☐ Please check if any of the above information has changed since previous year.

II. Mining and Reclamation

1. Was there any mine related activity during the past year? Yes ☒ No ☐
2. If no - what was the last year of activity? \_\_\_\_\_
3. If yes - how much ore or mineral was mined? None



4. Briefly describe the type of work performed, volume of material moved, and any new or additional surface disturbances that occurred during the past year.  
Exploration - No materials were moved. No additional  
surface disturbances occurred during the past year.
5. How much **additional acreage** was disturbed during the past year? None
6. How much acreage was **reclaimed** during the past year? None
7. Briefly describe the reclamation work performed during the past year. This description should include methods employed, and an evaluation of the results.  
N/A
8. What is the **total disturbed acreage** of entire project at years end? 74
9. Briefly summarize any mining and/or reclamation plans for the upcoming year.  
Exploration/Development/Mining if exploration is  
successful.

**NOTE:** Section III., "Additional Information" applies only to **large mining operations**.

**III. Additional Information**

1. An updated surface facilities map should be attached if there have been significant changes since the previous map was submitted.
2. Any monitoring results or other reports that are required under the terms of the approved notice of intention should also be attached.

**IV. Signature Requirement**

I hereby certify that the foregoing is true and correct.

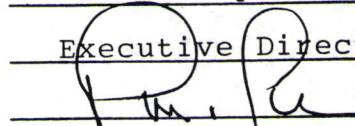
Name (Typed or Print):

Paul C. Spor

Title of Operator:

Executive Director

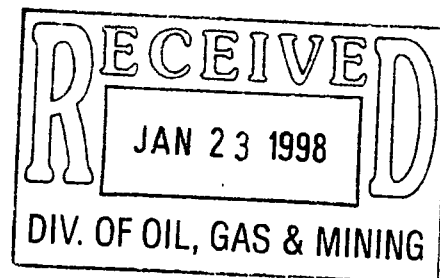
Signature of Operator:



Date:

January 15, 1999

STATE OF UTAH  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING  
1594 West North Temple Suite 1210  
Box 145801  
Salt Lake City, Utah 84114-5801  
Telephone: (801) 538-5291  
Fax: (801) 359-3940



ANNUAL REPORT OF MINING OPERATIONS

The informational requirements of this form are based on provisions of the Mined Land Reclamation Act, Title 40-8, Utah Code Annotated 1953, as amended, and the General Rules as promulgated under the Utah Minerals Regulatory Program. An operator conducting mining operations under a Notice of Intention must file an annual operations and progress report (FORM MR-AR) with the Division.

I. General Information

1. Report Time Period: From (mo./yr.) Jan. 97 To (mo./yr.) Dec. 97
2. DOGM File Number (Mine No): M / 049 / 009
3. Mine Name: Burgin Mine (current access via Apex No. 2)
4. Mineral(s) Mined (or permitted to mine): lead, silver, zinc, and gold
5. Type of mine ☐ Surface Mine or ☒ Underground Mine
6. Legal Description (Location of Lands Affected):  
SE 1/4, SE 1/4, 1/4, Section 15, Township 10 S, Range 2 W  
SE 1/4, NW 1/4, 1/4, Section 22, Township 10 S, Range 2 W  
NW 1/4, NW 1/4, 1/4, Section 28, Township 10 S, Range 2 W
7. Name of Operator or Company: Tintic Utah Metals LLC
8. Permanent Street Address: 15988 Silver Pass Road  
City, State, Zip: Eureka, Utah 84628  
Phone: (435) 433-6606
9. Company Representative (or designated operator):  
Name: Paul C. Spor  
Title: Acting Executive Director  
Business Address: P.O. Box 51  
City, State, Zip: Eureka, Utah 84628  
Phone: (435) 433-6606  
☐ Please check if any of the above information has changed since previous year.

II. Mining and Reclamation

1. Was the mine active during the past year? Yes ☒ No ☐
2. If active, how much ore or mineral was mined? None
3. If inactive, what year was the mine last active? \_\_\_\_\_

3. How much **additional** acreage was disturbed during the past year? None

4. Briefly describe any new or additional surface disturbances that occurred during the past year. This description should include the type of work performed, and volume of material moved.

N/A

N/A

5. How much acreage was **reclaimed** during the past year? None

6. Briefly describe the reclamation work performed during the past year. This description should include methods employed, and an evaluation of the results.

N/A

7. What is the **total disturbed acreage** at years end? 74

8. Briefly summarize any mining and/or reclamation plans for the upcoming year.

Underground exploration by diamond drilling

**NOTE:** Section III., "Additional Information" applies only to large mining operations.

### III. Additional Information

1. An updated surface facilities map should be attached if there have been significant changes since the previous map was submitted.
2. Any monitoring results or other reports that are required under the terms of the approved notice of intention should also be attached.

### IV. Signature Requirement

I hereby certify that the foregoing is true and correct.

Name (Typed or Print):

Paul C. Spor

Title of Operator:

Acting Executive Director

Signature of Operator:



Date:

January 21, 1998

jb  
MR-AR





JON M. HUNTSMAN JR.  
Governor  
MICHAEL R. STYLER  
Executive Director  
JOHN R. BAZA  
Division Director

# State of Utah

DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

1594 West North Temple, Suite 1210  
PO Box 145801  
Salt Lake City, Utah 84114-5801  
801-538-5340  
801-359-3940 (Fax)  
801-538-7223 (TDD)

TINTIC UTAH METALS LLC  
1629 LOCUST ST  
PHILADELPHIA PA 19103-6304

ATTENTION: MICHAEL LEE

## ANNUAL PERMIT FEE

Annual Permit Fees (July 2005 thru June 2006)

|                                   |                |            |              |
|-----------------------------------|----------------|------------|--------------|
| PROJECT NAME                      | PROJECT ID     | ACRES      | BILLING DATE |
| APEX/BURGIN PROJECT               | M490009        | 96         | 06/28/2005   |
| PERMIT TYPE                       | PROJECT STATUS | ANNUAL FEE |              |
| LARGE MINING OPERATION > 50 ACRES | SUSPENDED      | \$3,000    |              |

|            |            |
|------------|------------|
| DUE DATE   | AMOUNT DUE |
| 07/29/2005 | \$3,000    |

**Please see enclosed instructions for payment.**

*Please retain this portion for your records. For billing information call (801) 538-5291*

*This portion MUST be returned with your payment to ensure proper credit. THANK YOU*

|                             |            |            |  |  |            |
|-----------------------------|------------|------------|--|--|------------|
| ACCOUNT BILLED              |            |            | PROJECT NAME   |  | PROJECT ID |
| TINTIC UTAH METALS LLC      |            |            | APEX/BURGIN PROJECT  |  | M490009    |
| DUE DATE                    | ANNUAL FEE | AMOUNT DUE | <input type="checkbox"/> FEE NOT ENCLOSED                  |  |            |
| 07/29/2005                  | \$3,000    | \$3,000    | Permittee requests an inspection to close out this permit. |  |            |
| TAX ID OR SOCIAL SECURITY # |            |            | Change of Address  |  |            |
|                             |            |            | Contact  |  |            |
|                             |            |            | Address  |  |            |
|                             |            |            | E-Mail Address   |  |            |
|                             |            |            | State Zip  |  |            |
|                             |            |            | Phone  |  |            |

DIVISION OF OIL GAS AND MINING  
1594 WEST NORTH TEMPLE SUITE 1210  
PO BOX 145801  
SALT LAKE CITY UT 84114-5801

Please make check payable to:  
**Division of Oil, Gas and Mining**

**Instructions for Payment of Fees**  
June 28, 2005

1. **Collection of Permit Fees**

The Utah Legislature authorized the collection of permit fees in the Minerals Program July 1, 1998. The fees provide supplemental funding for processing and maintaining mining and exploration permit applications and inspection of those sites.

Please note:     Some companies/operators may receive more than one billing form (i.e. multiple mines/projects).  
                         It is important to return each one of those forms to ensure proper credit.

2. **Fees Are Assessed as Follows:**

| <u>Notices of Intent</u>                                | <u>Annual Fee</u> |
|---|-------------------|
| Exploration Operations                                  | \$150.00          |
| Small Mining Operations (5 or less disturbed acres)     | \$150.00          |
| Large Mining Operations (less than 50 disturbed acres*) | \$500.00          |
| Large Mining Operations (more than 50 disturbed acres*) | \$1,000.00        |

3. **Fees Due Date**

Fees are due by the last Friday in July, for all permitted operations or applications presently under Division review. Fees will also be due upon submission of a new permit application or a permit amendment/revision which increases the acreage to a new fee category.

4. **Failure to Pay**

Failure to pay the required permit fee will **automatically suspend an operator's authorization to mine or explore (site reclamation is still required by the operator)**. Permit revocation and an Order to reclaim the site may subsequently be required by the Board of Oil, Gas and Mining after Notice and Hearing. New permit applications require fee enclosure with the application, before it will be processed

5. **Opportunity to Close Out a Permit**

Permittees have the opportunity to close out a permit and not pay the fee. **To be eligible to close out a permit, you must return the enclosed billing form with the appropriate box checked.** You will then be contacted by the Division to arrange for an onsite inspection. The area must be fully reclaimed and in a stable condition to be eligible for closing out a permit. **If the area is suitably reclaimed, then NO FEE WILL BE DUE.** If the area is not yet suitably reclaimed, then a new billing notice will be issued and the permittee will be given **30 days from the date of the onsite inspection to pay the fee.**

6. **Delinquent Fees**

All permit fees which remain unpaid will be considered a violation of the Mined Land Reclamation Act and will be subject to enforcement action, which will carry penalties and fines.

7. **Change of Address**

Please note any address or telephone changes on the return form. (NOTE: An operator cannot be changed on this form. This must be accomplished through a formal Permit Transfer).

8. **Questions or Comments**

Please contact Daron Haddock at (801) 538-5325 or Joelle Burns at (801) 538-5291.

jb

O:\FEES\fees - 2005\fee-initial req-2005.doc

Notices and Correspondence Regarding Fines and  
Penalties See Exhibits E-8



M 1049/009

Chief Consolidated Mining Corporation  
C/o 1629 Locust Street  
Philadelphia, PA 19103  
215.546.8585

RECEIVED

JUL 26 2005

DIV OF OIL GAS & MINING

Re: Docket No. 2005-013  
Cause Nos. M/049/009  
M/049/024  
M/049/046

Chief Consolidated Mining hereby responds and objects to the matters raised by the Utah Division of Oil, Gas and Mining as reflected in the above captioned Docket and Cause numbers filed July 11, 2005. Richard Schreiber, President of Chief Consolidated, will attend the Utah Board of Oil, Gas, and Mining hearing scheduled for August 24, 2005 and accordingly requests specifics on where the meeting will be held.

By way of background, new investors made significant (in excess of \$12 million of new equity) into Chief in late 1999 through 2001, to enable Chief to rehabilitate its existing, but at that time inactive, mill located near Eureka, Utah, as well as to rehabilitate the Trixie shaft and then to commence mining. This process was substantially completed by early 2002, while Chief's employment at the Eureka site totaled approximately 50. Concurrently Chief undertook several studies to determine the feasibility of restarting production from the Burgin Mine, as well as longer range studies associated with other opportunities on Chief's landholdings, including the Homansville area. Gold production from the Trixie began in early 2002, with the ore going through initial processing at the Chief Mill prior to being sold to third party smelters. At the beginning of the second quarter of 2002, an unstable area of ground was encountered underground in the Trixie stoop, and the decision was made to suspend underground mining operations for safety reasons while various options were investigated. The board undertook to raise additional equity capital to carry out the necessary stabilizing during the second and third quarters of 2002 while at the same time a general cleanup and orderly mothballing of all Chief's Eureka operations was completed.

While the effort to raise additional capital was underway in 2002, the United States Environmental Protection Agency was concurrently investigating and ultimately naming Chief as one of the responsible parties for the costs of cleaning up the Eureka Mills. This was potentially an obligation in excess of \$100 million, which effectively prevented any further fundraising, as potential investors would not invest in such a situation. During the next two plus years, a settlement agreement was worked out in which Chief would contribute to the cost of the cleanup via sharing any proceeds from land sales with the EPA, as well as contributing soil to be used in the cleanup along with providing a site for the EPA to encapsulate the contaminated soil being removed from Eureka. Additionally, the agreement provided for Chief to pay a portion of any future net income to the EPA;

such agreement was structured to allow for new investors to recover their investment before sharing with the EPA. This Settlement Agreement was negotiated in 2002 and 2003, but getting higher level approval within the EPA consumed all of 2004, and then was finally approved by the Federal Court in Salt Lake City in late January 2005.

The drawn out Settlement Agreement process was what led to the series of letters from Chief to the Utah Department of Oil, Gas, and Mining during 2003 and 2004 requesting additional time in regard to licensing fees, reclamation, etc. In other words, if the EPA Settlement Agreement had not been reached, there was no point in any further investment in Chief. Now that the Agreement has been reached, fund raising efforts have recommenced, and while not finished, there is reason to believe that the fund raising goal will be accomplished. However, if Chief's mining license were to be revoked, then there is probably no chance of raising the money to restart operations.

Where do we go from here? At the current time, Chief has no employees, although there is a caretaker who inspects the property several times per day. The remaining board of directors- Richard Schreiber and Steven Park have continued to work on the case on an unpaid basis, negotiating compromises of Chief's debts, working with the EPA to develop the Settlement Agreement, trying to raise additional outside equity investment, interviewing prospective joint venture partners as well as potential mining managers. All this would be for naught if the mining license were revoked. But Chief is also mindful of the Department of OGM's responsibilities to the public. Accordingly, Chief proposes to immediately pay the licensing fees, both those overdue as well as the upcoming 2005 fees, and that the licenses would be renewed. Chief further requests an abatement of the penalties to a to-be-negotiated amount which reflects the fact that the fees are overdue, but also the fact that new investors will not likely want to see new money go out for penalties rather than operations. All other issues such as bonding amounts as raised in the complaint would be negotiated in good faith between Chief and the Department prior to the resumption of mining activity- while this seems to put it out into the future, Chief believes it should reflect the participation of an experienced mining manager who would join Chief if this proposed process is agreed to.

I look forward to working with the Department to refine this proposal and working out an arrangement prior to the August 24<sup>th</sup> meeting that protects Utah as well as maximizes the chances for a successful mining operation.

Sincerely,

Richard R. Schreiber

Steve A. For your review. I need to fax + email this notice to the newspapers on August 2 to meet publication deadlines.

Thanks, Diane 7-20-05

BEFORE THE BOARD OF OIL, GAS AND MINING  
DEPARTMENT OF NATURAL RESOURCES  
STATE OF UTAH

CC: Minerals ✓  
Mary Ann

IN THE MATTER OF THE PETITION BY THE )  
DIVISION OF OIL, GAS AND MINING FOR AN )  
ORDER DIRECTING THE ATTORNEY GENERAL TO )  
RECOVER CIVIL PENALTIES, WITHDRAWING THE )  
NOTICES OF INTENTION, AND REQUIRING )  
IMMEDIATE RECLAMATION OR FORFEITING )  
SURETIES FOR THE APEX/BURGIN MINE )  
(M/049/009), TRIXIE SHAFT MINE AREA )  
(M/049/024), AND THE TRIXIE WEST )  
EXPLORATION AREA (E/049/046); THE CHIEF )  
CONSOLIDATED MINING CO. D/B/A CHIEF GOLD )  
MINE, SOUTH STANDARD MINING COMPANY, )  
AND TINTIC UTAH METALS, LLC; IN SECTIONS )  
11, 15, 21, 22 AND 28, TOWNSHIP 10 SOUTH, )  
RANGE 2 WEST, SLB&M; UTAH COUNTY, )  
UTAH. )

NOTICE OF HEARING

Docket No. 2005-013

Cause Nos. M/049/009

M/049/024

E/049/046

RECEIVED

JUL 21 2005

DIV OF OIL GAS & MINING

THE STATE OF UTAH TO ALL PERSONS INTERESTED IN THE ABOVE  
ENTITLED MATTER.

Notice is hereby given that the Board of Oil, Gas and Mining ("Board"), State of Utah, will conduct a hearing on WEDNESDAY, AUGUST 24, 2005, at 10:00 a.m., or as soon thereafter as possible, in the Board Room of the Department of Natural Resources, 1594 West North Temple, Suite 1050, Salt Lake City, Utah.

The hearing will be conducted as a formal administrative adjudication in accordance with the rules of the Board as set forth in Utah Administrative Code R641 *et seq.* (2005) as provided for by Utah Code Ann. § 40-8-1 *et seq.* (2005) and Utah Code Ann. § 63-46b-1 *et seq.* (2005).

The purpose of the proceeding will be for the Board to receive testimony and evidence regarding a Request for Agency Action to:

1. Require payment of all penalties and fines assessed against Chief Consolidated Mining Company ("Operator") and authorizing the Attorney General to take such action as may be necessary to collect the same, together with all costs, interest, and attorneys fees allowed at law.
2. Withdraw the existing Notices of Intention held by Operator for each of the mine sites under permit.



3. Require Operator commence immediate reclamation of all pertinent lands affected by the Apex/Burgin, Trixie Shaft, and Trixie West Exploration mining operations. The mines are located in portions of Sections 11, 15, 21, 22 and 28, Township 10 South, Range 2 West, SLB&M, Utah County, Utah.
4. Order that in the event required reclamation is not immediately commenced by Operator, that sureties posted with the Division shall be forfeited and the funds used by the Division to complete reclamation of the lands affected by the mining and the Division shall be authorized to complete the reclamation and to recover all costs and expenses of reclamation from the Operator.
5. Provide such other relief as may be just and proper under the circumstances.

Objections to the Request for Agency Action must be filed with the Secretary of the Board at the address listed below no later than the 10th day of the month, or two weeks before the scheduled hearing, whichever is earlier. A party must file a timely written objection or other response in order to participate as a party at the Board hearing.

Natural persons may appear and represent themselves before the Board. All other representation by parties before the Board will be by attorneys licensed to practice law in the State of Utah, or attorneys licensed to practice law in another jurisdiction which meet the rules of the Utah State Bar for practicing law before the Utah Courts.

Persons interested in this matter may participate pursuant to the procedural rules of the Board. The Request for Agency Action, and any subsequent pleadings, may be inspected at the office of the undersigned.

Pursuant to the Americans with Disabilities Act, persons requiring auxiliary communicative aids and services to enable them to participate in this hearing should call Vickie Southwick at (801) 538-5304, at least three working days prior to the hearing date.

DATED this \_\_\_\_ day of August, 2005.

STATE OF UTAH  
BOARD OF OIL, GAS AND MINING  
J. James Peacock, Chairman

---

/s/ Diane Holland  
Legal Secretary  
1594 West North Temple, Suite 1210  
Salt Lake City, Utah 84116  
(801) 538-5302



**CERTIFICATE OF SERVICE**

I hereby certify that I caused a true and correct copy of the foregoing NOTICE OF HEARING for Docket No. 2005-013, Cause Nos. M/049/009, M/049/024 and E/049/046 to be mailed with postage prepaid, this \_\_\_\_ day of August, 2005, to the following:

**CERTIFIED MAIL**

7003 2260 xxx

Richard R. Schreiber, President and CEO  
Chief Consolidated Mining Company  
1629 Locust Street  
Philadelphia, PA 19103

Zions Bank  
Payson Branch  
80 East 100 North  
Payson, UT 84651

Wells Fargo Center  
Attn: Eric Page  
299 South Main Street (Main Floor)  
Salt Lake City, UT 84111

Carol Rushin  
Asst. Regional Administrator, Region 8  
Office of Enforcement, Compliance, and  
Environmental Justice  
U.S. Environmental Protection Agency  
999 18<sup>th</sup> Street, Suite 300  
Denver, CO 80202 -2466

Michael S. Johnson  
Assistant Attorney General  
Utah Board of Oil, Gas & Mining  
1594 West North Temple, Suite 300  
Salt Lake City, UT 84116  
(Hand Delivered)

Stephen Schwendiman  
Assistant Attorney General  
Utah Board of Oil, Gas & Mining  
160 East 300 South, 5th Floor  
P.O. Box 140815  
Salt Lake City, UT 84114-0815

Steven F. Alder  
Alison D. Garner  
Assistant Attorneys General  
Utah Division of Oil, Gas & Mining  
1594 West North Temple, Suite 300  
Salt Lake City, UT 84116  
(Hand Delivered)

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**CERTIFICATE OF PUBLISHED NOTICE**

I hereby certify that I caused the foregoing NOTICE OF HEARING for Docket No. 2005-013, Cause Nos. M/049/009, M/049/024, and E/049/046 to be PUBLISHED at the following newspapers on the following days:

August 7, 2005:

The Salt Lake Tribune and Deseret Morning News, newspapers of general circulation in Salt Lake City and County.

August 7, 2005:

The Daily Herald, a newspaper of general circulation in Utah County.

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M/049/009

**FILED**

**JUL 11 2005**

**SECRETARY, BOARD OF  
OIL, GAS & MINING**

BEFORE THE BOARD OF OIL, GAS AND MINING  
DEPARTMENT OF NATURAL RESOURCES  
IN AND FOR THE STATE OF UTAH

ooOoo

IN THE MATTER OF THE PETITION :  
BY THE DIVISION OF OIL, GAS AND :  
MINING FOR AN ORDER DIRECTING :  
THE ATTORNEY GENERAL TO RECOVER :  
CIVIL PENALTIES, WITHDRAWING :  
THE NOTICES OF INTENTION, AND :  
REQUIRING IMMEDIATE RECLAMATION :  
OR FORFEITING SURETIES FOR :  
THE APEX/BURGIN MINE (M/049/009), :  
TRIXIE SHAFT MINE AREA (M/049/024), :  
AND THE TRIXIE WEST EXPLORATION :  
AREA (E/049/046); THE CHIEF :  
CONSOLIDATED MINING CO. d/b/a :  
CHIEF GOLD MINE, SOUTH STANDARD :  
MINING COMPANY, and TINTIC UTAH :  
METALS, LLC.; IN SECTIONS 11, 15, 21, :  
22, and 28, TOWNSHIP 10 SOUTH, :  
RANGE 2 WEST, SLB&M; UTAH :  
COUNTY, UTAH :

NOTICE OF AGENCY ACTION

DOCKET NO. 2005-013

CAUSE NOS. M/049/009  
M/049/024  
E/049/046

ooOoo

**RELIEF SOUGHT**

The Division of Oil, Gas and Mining ("Division") hereby petitions the Board of Oil, Gas and Mining ("Board") for an Order: (1) authorizing the Attorney General to take such action as necessary against Chief Consolidated Mining Company (Chief or Operator) including filing an action to recover the fees and penalties assessed in association with the Cessation Orders issued, unabated, and unpaid, together with interest, costs and attorney fees as allowed; (2) withdrawing the existing Notices of Intention held by Chief Consolidated Mining Company for each of the mine sites under permit: (a) due to the Operator's failure to abate the Cessation Order issued October 14, 2004; (b) for continued suspension in excess of five years and other actions, including lack of personnel at the site, lack of any mining activities for a long period of time, failure to respond to correspondence concerning the status of bonding, and other acts indicating abandonment of the mining operations and a lack of ability to proceed with mining and reclamation of the site as required by the Utah law and the Mining and Reclamation Plan; and (c) inadequate bonding; (3) requiring Chief Consolidated Mining Company, as the mine operator, to commence immediate reclamation of all pertinent lands affected by the mining operations; and (4) ordering that in the event required reclamation is not immediately commenced by Chief Consolidated Mining Company, that surety be forfeited to the Division and the Division be authorized to proceed with reclamation of the mine site and to seek recovery of costs and expenses of reclamation from the responsible parties in any appropriate court. The mine is

located in portions of Sections 11, 15, 21, 22, and 28, of T10S, R2W, SLB&M, Utah County, Utah.

### **JURISDICTION**

1. This action is brought by the Division pursuant to the Utah Mined Land Reclamation Act, Utah Code Annotated §40-8-1 *et seq.* (2005) (hereinafter the Act).
2. Jurisdiction over this matter is conferred upon the Board by Utah Code Annotated §40-8-6(2) (2005) which empowers the Board "to hold hearings and to issue orders" as may be necessary to enforce the provisions of the Act.
3. Utah Code Annotated §40-8-16(3) (2005) provides that a Notice of Intention may not be withdrawn until the operator is provided an opportunity for a hearing before the Board.
4. Utah Code Annotated §40-8-9.1(4) (2005) provides for the Board to request the Attorney General to bring an action to collect civil penalties resulting from violations of the Act.

### **NOTICE REQUIREMENTS**

5. Pursuant to Utah Code §§63-46b-6 to 63-46b-11 (2005), the hearing will be conducted formally.
6. The hearing will be held at the regularly scheduled meeting of the Board to be held on August 24, 2005 at 10:00 a.m. A written response or objection must be filed with the Board within twenty days of mailing of this Request for Agency Action. Any party who fails to respond, or to appear at said hearing, may be held in default.
7. The names and addresses of all persons to whom Request for Agency Action shall be given are attached as the CERTIFICATE OF SERVICE and by this reference incorporated herein.

### **STATEMENT OF THE FACTS**

8. The Notice of Intention for the Burgin Mine (M/049/009) was issued on June 3, 1985 to Tintic Utah Metals, LLC.
9. The Notice of Intention for the Trixie Shaft Area, M/049/024 was issued December 10, 1993 to South Standard Mining Company.
10. The Notice of Intention for Trixie West Exploration Permit Number E/049/046 was issued to Chief Gold Mines, Inc. on July 16, 1995.

11. The interests of the prior Operators in the above named Notices of Intention including the interests of Chief Gold Mine, Inc., Tintic Utah Mining, and South Standard Mining Company, and others are believed have been acquired by, and are now owned or controlled by Chief Consolidated Mining Company who is currently understood to be the Operator of all of the mining operations under the Notices of Intention. As used herein the term Operator shall refer to Chief Consolidated Mining Company, as successor in interest to the rights and duties of the original and prior operators under the Notices of Intention subject to this action.

**COUNT I (Collection of fines and Penalties)**

12. On January 29, 2003 an updated reclamation surety was requested by certified letter, and an update of the current operations and status. After completion of a site inspection conducted February 6, 2003, a certified letter was hand delivered to Arden Underwood by the Division inspector advising of concerns and need for update of surety.
13. On April 18, 2003 a copy of the January 29, 2003 letter was sent by certified mail, addressed to Richard Schreiber, CEO of Chief. The letter was received April 28, 2003 and Mr. Schreiber replied by telephone that there were negotiations 'on going' with United States Environmental Protection Agency (EPA) and that mining operations were suspended.
14. On September 8, 2003, a second request for permit fees was sent advising the Operator that the mining permit was suspended until fees were paid.
15. On October 7, 2003, the Division attempted to contact the mine operators and discovered that the phones were disconnected.
16. On August 10, 2004, a second delinquency notice was sent by certified mail advising the Operator of the failure to pay the fees owed for years 2003 and 2004.
17. On October 8, 2004, Cessation Orders were mailed to Mr. Richard Schreiber, on behalf of the Operator, assessing fines for failure to pay fees for each of the permits for the past two years and advising him of the obligation of the Operator to abate the order by payment within 14 days. The assessments made and sent to Mr. Schreiber for each permit are as follows: (a) on behalf of Tintic Utah Metals, LLC, Trixie West Exploration Project, Permit E/049/046, the amount of \$300.00 (past and current fees of \$150.00 for each year); (b) for Chief Gold Mines, Inc. Permit M/049/024, \$1000.00 (past and current fees of \$500.00 for each year); and (c) for Tintic Utah Metals, LLC for the Apex/Burgin Project, Permit M/049/009, \$2000.00 (past and current fees of \$1000.00 per year). The Cessation Orders were each signed as received by Evelyn Quirk on behalf of the addressees at 1629 Locust St., Philadelphia, PA. on October 14, 2004. The total of the



past unpaid fees was \$3300.00.

18. On November 4, 2004, a proposed assessment for each of the violations was made and notice of the determination was mailed to Richard Schreiber for each permit together with a notice of a right to appeal within thirty days, and a warning that if timely request for review was not filed the penalties would become final. The amount of penalty as determined and communicated for each permit was follows: (a) for the Tintic Utah Metals, LLC, Trixie West Exploration Project, Permit E/049/046, a proposed fine of \$1,100.00; (b) for Chief Gold Mines, Inc. Trixie Shaft, Permit M/049/024, a fine of \$1100.00; and (c) for Tintic Utah Metals, LLC Apex/Burgin Project, Permit M/049/009, a proposed fine of \$1100.00. The total of the proposed fines was \$3,300.00.
19. On November 5, 2005, Chief requested a "90 day extension or moratorium on further fines" while the pending Consent Decree concerning a proposed United States Environmental Protection Agency Superfund cleanup project for Eureka City was under consideration. Approval of the Superfund project was claimed to be critical to continued mining activity, as it would limit the future liability of Chief Consolidated for cleanup costs. If not approved, Chief claimed it would need to file for bankruptcy protections.
20. In response to this request, on November 5, 2004, an extension of the abatement time was granted, allowing abatement to continue until January 12, 2005 (for the maximum allowable period of 90 days).
21. On January 3, 2005 Chief requested an additional '90-day extension' based on the setting of the hearing for consideration of the Consent Decree for January 24, 2005.
22. Based on the extraordinary reasons, a further extension of 45 days was granted, extending the time for abatement until February 28, 2005.
23. On January 24, 2005 the Consent Decree was approved by the court.
24. On March 8, 2005 a letter was sent to Chief summarizing the outstanding obligations as of that date, (total fees of \$3300.00 and penalties of \$3,300.00 or a total of \$6,600.00), advising that the amounts were final since no appeal was made, and advising that further action may result in further penalties of \$750.00 per day.
25. On March 17, 2005 Chief requested a further extension of the time on further enforcement actions, and the Division replied on April 12, 2005, that a 60-day extension would be considered if Chief accomplished specific tasks. No reply was received to the April 12, 2005 request.
26. On May 24, 2005, a Failure to Abate Cessation Order was issued by the Division and mailed to Chief Consolidated Mining Company for each permit by certified mail. These Orders and attached letter advised Chief that the Failure to Abate Cessation Order

included a mandatory additional penalty of \$750.00 per day for each permit for each day the violation continued.

27. There has been no appeal of the Failure to Abate Cessation Order and no payment of the penalties or permit fees by Chief, or any other party.
28. The total amount of unpaid fees and penalties including the \$750.00 per day fees assessed for the thirty day period of appeal for all permits is as follows: a) for the Tintic Utah Metals, LLC, Trixie West Exploration Project, Permit E/049/046, fees of \$300, a proposed fine of \$1,100.00, mandatory penalty \$22,500.00 (\$23,900.00); (b) for Chief Gold Mines, Inc. Trixie Shaft, Permit M/049/024, permit fees of \$1000.00, a fine of \$1100.00; mandatory penalty of \$22,500.00 (\$24,600.00); and (c) for Tintic Utah Metals, LLC Apex/Burgin Project, Permit M/049/009, permit fees of \$2000, a proposed fine of \$1100.00, and mandatory penalty of \$22,500.00 (\$25,600.00). The total of the unpaid fees, fines and penalties is \$74,400.00. Permit fees for 2005 are now also past due.
29. Utah Code §40-8-9.1(4) provides that civil penalties owed may be recovered in a civil action brought by the Attorney General at the request of the Board.
30. The Division believes that an action to recover the foregoing fees and penalties is appropriate and necessary to accomplish the purposes of the Division and to insure that mined lands are reclaimed and to prevent conditions detrimental to the general safety and welfare of the citizens of the State of Utah.

#### **COUNT II (Withdrawal of Permit)**

31. The Division hereby incorporates the allegations of paragraphs 1- 30 hereof and further alleges as follows.
32. Utah Code §40-8-16(2)(a) (2005) provides that a large mine permit may be withdrawn if the "operator substantially fails to perform reclamation or conduct mining operations so that the approved reclamation plan can be accomplished."
  - A. The operator has been ordered to suspend mining until the cessation orders issued have been abated. It has now been over two years that the Operator has failed to pay the fees, file the reports, or pay the fines assessed.
  - B. The Operator has not responded to the correspondence from the Division requesting that the fees be paid and other correspondence concerning the status of the surety bonds held by the Division.
  - C. The Operator has suspended all activities at the mine since 2002 and has had no meaningful mining activities at the site since 1994.
  - D. The ability of the operator to complete reclamation of these sites according to the reclamation plan is now very unlikely and in substantial jeopardy.

- E. The cost of reclamation is increasing due to the age of the mine and increases in cost of reclamation work and the Operator's lack of personnel at the mine, lack of correspondence and apparent abandonment which warrants action to begin reclamation immediately.
  - F. Requests to the Operator for information "sufficient to evaluate the status of the mining operations and probable future status of the lands affected, and why reclamation should not be required to begin immediately" have not been answered.
33. Utah Code §40-8-16(2)(b) (2005) provides that a large mine permit may be withdrawn if the "operator fails to maintain surety as may be required under this chapter."
- A. The amount of surety was not increased in 1997 and again in 2002 and should be increased as required to update the amount of surety to current costs.
  - B. The form of the certain certificates of deposit are inappropriate and the Operator has failed to respond to requests to modify the form of the sureties.
34. Utah Code §40-8-16(2)(b) (2005) provides that a large mine permit may be withdrawn "in the event mining operations are continuously shut down for a period in excess of five years, unless the extended period is accepted upon application of the operator."
- A. Mining activities other than maintenance of the mine ceased before 1997.
  - B. The suspended status has also ceased and there has been no responsible operational or management personnel at the mine since 2002.
  - C. It is no longer possible to contact personnel willing to correspond with the Division and to assume the duties of filing reports, protecting the mine properties, or performing the actions required of an operator.

### **COUNT III (Order for Immediate Reclamation)**

35. The Division hereby incorporates the allegations of paragraphs 1- 34 hereof and further alleges as follows.
36. The purposes and intentions of the Act are to insure that mined lands have reclamation plans (see Utah Code §40-8-3 (2005)), and requires that "mined lands are reclaimed so as to prevent conditions detrimental to the general safety and welfare of the citizens of the state and provide for the subsequent use of the lands affected." Utah Code §§40-8-2(3) (2005).
37. The Large Mine Notice of Intention as amended and revised contains a reclamation plan for the site which, describes in detail the work that has been determined by the Division as necessary for the site.
38. Utah Code §§40-8-12 (2002) requires that reclamation return the land to a stable, ecological condition compatible with the past, present and probable future uses and



minimizes and prevents future environmental degradation, and prevent future hazard to the public safety and welfare.

39. The Operator should proceed to immediately begin reclamation of the mine sites in accordance with the reclamation plan and the minimum requirements for reclamation and revegetation as set forth in the regulations and the Act.

**COUNT IV (Order to Forfeit Sureties and for Division to Reclaim and Recover Cost and Expenses of Reclamation)**

40. The Division hereby incorporates the allegations of paragraphs 1- 39 hereof and further alleges as follows.
41. The following Certificates of Deposit have been provided as sureties and are held for the Division as security for reclamation of the mine permits: Zions First National Bank certificates 030-930789-0, 030-930033-6 and 030-931018-3 in a total amount of \$410,400.00 (subject to escalation in 1997) held for permit M/049/009; and Wells Fargo Bank certificate 189682 (successor in interest to First Interstate Bank) in the amount of \$39,800.00 held for the Division for Permit M/049/024.
42. Utah Code §40-8-14(6) (2002) provides that if an operator of a mining operation fails or refuses to reclaim as required by the statute and regulations, that the Board may order that the surety filed for purposes be forfeited, and that the necessary reclamation be conducted by the Division, and that the costs and expenses be recovered in a civil action brought by the Attorney General against the Operator.


**PRAYER FOR RELIEF**

WHEREFORE, the Division requests that the Board enter the following Order(s):

- A. An Order requiring payment of all penalties and fines assessed against the operators for these mining operations and authorizing the Attorney General to take such action as may be necessary to collect the same, together with all costs, interest, and attorneys fees allowed at law.
- B. An Order withdrawing the Notice of Intention as a result of the Operator's failure to: (a) conduct mining operations in a manner such that reclamation of the site can be accomplished as required by the Act, (b) provide the surety in a form and amount as required by the Act, and (c) for the continued suspension of mining for long in excess of five years without approval and without indication of the ability or intention to complete mining in accordance with the plan.

- C. An Order requiring that the Operators commence immediate reclamation of all pertinent lands affected by the Apex/Burgin, Trixie Shaft, and Trixie West Exploration mining operations.
- D. An Order that in the event the Operators fail or refuse to immediately commence reclamation or to complete reclamation as required, that sureties posted with the Division shall be forfeited and the funds used by the Division to complete reclamation of the lands affected by the mining and the Division shall be authorized to complete the reclamation and to recover all costs and expenses of reclamation from the Operators.
- E. For such additional relief as may be deemed just and equitable under the law and facts as may be adduced in the proceeding herein.

Dated this 11<sup>th</sup> day of July, 2005.



John R. Baza, Director  
Division of Oil, Gas and Mining  
1594 West North Temple, Suite 1210  
P.O. Box 145801  
Salt Lake City, Utah 84114-5801  
Telephone: (801) 538-5340

## CERTIFICATE OF MAILING

I hereby certify that I caused a true and correct copy of the foregoing Notice of Agency Action to recover penalties, withdraw permits, and to require immediate reclamation or forfeiture of the sureties of the Apex/Burgin Mine (M/049/009), Trixie Shaft Mine Area (M/049/024), and Trixie West Exploration Area (E/049/046) to be delivered or mailed by first class mail, postage prepaid, this 11<sup>th</sup> day of July, 2005 addressed to:

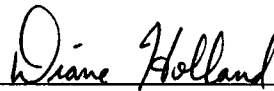
Richard R. Schreiber, President and CEO  
Chief Consolidated Mining Company  
1629 Locust Street  
Philadelphia, PA 19103

Zions Bank  
Payson Branch  
80 East 100 North  
Payson, UT 84651

Wells Fargo Bank  
170 South Main Street  
Salt Lake City, UT 84111

Carol Rushin  
Assistant Regional Administrator, Region 8  
Office of Enforcement, Compliance, and Environmental Justice  
U.S. Environmental Protection Agency  
999 18<sup>th</sup> Street, Suite 300  
Denver CO 80202 -2466

Michael S. Johnson, Counsel for the Board (via hand delivery)  
Assistant Utah Attorney General  
1594 West North Temple, Suite 300  
Salt Lake City, UT 84116

  
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